ADVERTISEMENT PERIODICALS

Wealth Management

THE MAGAZINE OF WealthManagement.com

April 2020

Cowboy Ethics in Action!

1. Live each day with courage.
2. Take pride in your work.
3. Always finish what you start.
4. Do what has to be done.
5. Be tough, but fair.
6. When you make a promise, keep it.
7. Ride for the brand.
8. Talk less and say more.
10. Know where to draw the line.

© From the book Cowboy Ethics: What Wall Street Can Learn From the Code of the West by James P. Owen with permission

9. REMEMBER SOME THINGS ARE NOT FOR SALE

United Planners is a nationwide, full service broker-dealer and RIA founded in 1987. Structured as a Limited Partnership, qualifying Advisors having majority ownership and voting rights empowers United Planners to remain Adamantly Not For Sale.

ADAMANTLY NOT FOR SALE

Call Partner Development at **800-966-8737, Opt 3** to learn more about our family-like culture, ethical firm, and how United Planners can Ride for Your Brand!

www.JoinUnitedPlanners.com

MEMBER: FINRA SIPC

Code of the West

1. Live each day with courage.
2. Take pride in your work.
3. Always finish what you start.
4. Do what has to be done.
5. Be tough, but fair.
6. When you make a promise, keep it.
7. Ride for the brand.
8. Talk less and say more.
9. **Remember some things are not for sale.**
10. Know where to draw the line.

© From the book Cowboy Ethics: What Wall Street Can Learn From the Code of the West by James P. Owen with permission.

United Planners is a nationwide full service broker-dealer and RIA founded in 1987 and **remains ADAMANTLY NOT FOR SALE**. Founded as a Limited Partnership, qualifying Advisors have majority ownership and voting rights that control the fate and destiny of the firm. This unique structure enables United Planners to continue to be as strong and independent today as ever and fosters a great partnership between the Advisor's practice and their broker-dealer/RIA.

Call Partner Development at **800-966-8737, Opt 3** to learn more about our family-like culture, ethical firm, and how United Planners can Ride for Your Brand!

www.JoinUnitedPlanners.com

7333 E. Doubletree Ranch Rd., Suite # 120, Scottsdale, AZ 85258

MEMBER: FINRA SIPC

Digital Edition Copyright Notice

The content contained in this digital edition ("Digital Material"), as well as its selection and arrangement, is owned by Informa. and its affiliated companies, licensors, and suppliers, and is protected by their respective copyright, trademark and other proprietary rights.

Upon payment of the subscription price, if applicable, you are hereby authorized to view, download, copy, and print Digital Material solely for your own personal, non-commercial use, provided that by doing any of the foregoing, you acknowledge that (i) you do not and will not acquire any ownership rights of any kind in the Digital Material or any portion thereof, (ii) you must preserve all copyright and other proprietary notices included in any downloaded Digital Material, and (iii) you must comply in all respects with the use restrictions set forth below and in the Informa Privacy Policy and the Informa Terms of Use (the "Use Restrictions"), each of which is hereby incorporated by reference. Any use not in accordance with, and any failure to comply fully with, the Use Restrictions is expressly prohibited by law, and may result in severe civil and criminal penalties. Violators will be prosecuted to the maximum possible extent.

You may not modify, publish, license, transmit (including by way of email, facsimile or other electronic means), transfer, sell, reproduce (including by copying or posting on any network computer), create derivative works from, display, store, or in any way exploit, broadcast, disseminate or distribute, in any format or media of any kind, any of the Digital Material, in whole or in part, without the express prior written consent of Informa. To request content for commercial use or Informa's approval of any other restricted activity described above, please contact the Reprints Department at (877) 652-5295. Without in any way limiting the foregoing, you may not use spiders, robots, data mining techniques or other automated techniques to catalog, download or otherwise reproduce, store or distribute any Digital Material.

NEITHER Informa NOR ANY THIRD PARTY CONTENT PROVIDER OR THEIR AGENTS SHALL BE LIABLE FOR ANY ACT, DIRECT OR INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF THE USE OF OR ACCESS TO ANY DIGITAL MATERIAL, AND/OR ANY INFORMATION CONTAINED THEREIN.

Wealth Management™

THE MAGAZINE OF
WealthManagement.com

April 2020

ADVICE IN THE TIME OF CORONAVIRUS

WINNING THE LOW-VOLATILITY WAR p.22

INSIDE STUDENT-RUN INVESTMENT FUNDS p. 28

HOW ADVISORS ARE STAYING SANE p. 44

"My clients have a passion for giving. I have a passion for helping them."

Stasia Washington | First Foundation Advisors

[1] 2016 U.S. Trust Study of High-Net-Worth Philanthropy.
[2] 2018 RIA Benchmarking Study from Charles Schwab, fielded January to March 2018. Study contains self-reported data from 1,261 firms. Results for firms with $250 million or more in assets under management.

Give your clients a smarter way to give.

For more and more high-net-worth clients, philanthropy is an important part of how they manage their wealth. In fact, 94% say they want to learn more about charitable giving.[1] And 80% of advisors rank charitable planning as a top value-added service, which helps attract new clients and grow existing relationships.[2] Schwab Charitable has the experience, tools, and people to help you do exactly that.

To learn more, download the Schwab Charitable information kit at schwabcharitable.org/advisors or call 888-733-0630

Schwab Charitable Fund™ is recognized as a tax-exempt public charity as described in Sections 501(c)(3), 509(a)(1), and 170(b)(1)(A)(vi) of the Internal Revenue Code. Contributions made to Schwab Charitable Fund are considered an irrevocable gift and are not refundable. Please be aware that Schwab Charitable has exclusive legal control over the assets you have contributed. Although every effort has been made to ensure that the information provided is correct, Schwab Charitable cannot guarantee its accuracy. This information is not provided to the IRS. Schwab Charitable is the name used for the combined programs and services of Schwab Charitable Fund, an independent nonprofit organization. Schwab Charitable Fund has entered into service agreements with certain affiliates of The Charles Schwab Corporation. © 2020 Schwab Charitable Fund. All rights reserved. CC0472857 (0319-9EMF)

CONTENTS

Wealth Management™

April 2020

PRACTICE MANAGEMENT

12. Managing Your Business Life in Uncertain Times
While there is much advisors cannot control in their professional trajectories at the moment, these are the questions they are asking.

14. I'm Mortified by Financial Industry Sales Training
There is a better way.

17. A Positive Attitude
Adam Weinberg of West New York, N.J., founder of Web Guy X, a digital marketing firm, and Relax with Adam, a meditation center, both in New York City, on his experiences working with advisors.

20. Lessons Learned From the Redtail Data Breach
Redtail's CEO on how the breach affected his outlook on cybersecurity and changed the way his firm works.

INVESTMENT

22. Winning the Low-Volatility War
Current bedlam in the markets may whet your clients' appetites for low-volatility ETFs, but not all are created equal: We take a forward look to find the best.

26. A Wave of Mutual Fund-to-ETF Conversions May Be Near
The hurdles asset managers have to overcome are significant—but so is the opportunity.

28. Inside Student-Run Investment Funds
Real-world experience managing portfolios provides a competitive advantage when it comes to securing full-time jobs.

WEALTH PLANNING

32. The Merit-Aid Arms Race at State Universities
State universities are devoting more money to merit scholarships for well-off applicants.

34. Revisiting Mortgage Refinancing
Clients have a golden opportunity to save money and/or raise needed cash.

36. Medicare vs. Medicare Advantage
What's the right choice?

COVER STORY

38. COVID-19 Could Be a Harsh Test for Advisors' Business Continuity Plans
Advisors' business continuity plans may need to include much more than video chats and Slack channels.

40. The Early Lessons of Coronavirus and Wealth Protection
Pivot to tax reduction and cost savings. It's the one thing in your control.

42. Estate Planning During the Coronavirus Pandemic
Global chaos can still potentially benefit clients.

44. How Are Advisors Staying Sane During the COVID-19 Pandemic?
These are stressful times for clients but also for advisors. How do they cope? Exercise, outdoor walks, even meditation—but mostly, commiserating with others who share their experiences.

45. Advisors Help Clients Remain Calm in Market Rout
Many advisors say their role now is to keep clients from panicking, and in many cases help those with longer time horizons recognize opportunity in the chaos.

46. Steps to Help Advisors Ride Out the Volatility of the Coronavirus
Clients are anxious and angry; don't take it personally. Be a calm and reassuring voice.

REPORTS

6. What Time Is the Coronavirus Conference Call?
Videoconferencing may gain new importance as the coronavirus leads to quarantines, remote working and self-isolation.

8. Blotter

8. #FinTwits

10. Comings & Goings

10. Avoiding Compliance Pitfalls During the Coronavirus Pandemic

COMMUNITY

5. Editor's Letter
Fire, hire or keep?

48. The Puzzler
Test your small number smarts.

Cover illustration: Daniel Pelavin

ISSN 2469-6269
WealthManagement™, Volume 05, Issue 03 is published in the months of January/February, March, April, May, June, July/August, September, October, November, and December by Informa Media, Inc., 9800 Metcalf Ave., Overland Park, KS 66212-2216 (informa.com). Editorial offices at 605 Third Avenue, New York, NY 10158. Subscriptions: U.S. and Possessions: Paid one year U.S. $59; $71 for Canada; $83 for all other foreign ($108 for air mail). Payable in U.S. funds drawn on a U.S. bank only. Periodicals postage paid at Kansas City, MO and additional mailing offices. Canadian GST #R126431964. Current and back issues and additional resources, including subscription request forms and an editorial calendar are available on the World Wide Web at WealthManagement.com. POSTMASTER: Send address changes to *WealthManagement*™, PO Box 2100, Skokie, IL 60076. Copyright 2020, Informa, All rights reserved. Printed in the USA.

FIDELITY INSTITUTIONAL

The secrets to better portfolio construction

At Fidelity, we've uncovered three essential components that firms can use right now to help build portfolios that better serve their clients' needs. That's because we collaborate with thousands of advisors to help ensure that we provide the solutions they need in order to create effective portfolios. And with our insights, tools, and customizable solutions, advisors are even better equipped to make smarter decisions.

To learn more, visit i.fidelity.com/3keys-wm to download our infographic on the three essential components to building effective portfolios, or call 800-544-9999.

Not FDIC Insured • May Lose Value • No Bank Guarantee

Not NCUA or NCUSIF insured. May lose value. No credit union guarantee.

Intended for investment professional use only.

Diversification does not ensure a profit or guarantee against loss.

Keep in mind that investing involves risk. The value of your investment will fluctuate over time and you may gain or lose money.

Fidelity Institutional Asset Management and the Fidelity Investments and pyramid design logo are registered service marks of FMR LLC.

© 2020 FMR LLC. All rights reserved.

921154.1.0
FIAM-BD

FIDELITY DISTRIBUTORS COMPANY LLC, 500 SALEM STREET, SMITHFIELD, RI 02917

1.9898550.100
0220

Daniel Pelavin, who illustrated this month's cover, grew up in Detroit and began his career as an apprentice, working his way up through the ranks in local art studios. He trained with artists from the entire gamut of graphic arts, including decorative, fashion, product and technical illustrators, as well as letterers, typographers and graphic designers. From his earliest work, produced with templates, French curves and drafting tools, to a present day virtuosity in digital media, Daniel has used a restrained and simplified vocabulary of geometric forms, rich, flat colors and typography inspired by a wide range of 20th century ephemera. He has received accolades for illustration, typographic design and a singular ability to seamlessly combine the two. He earned his B.A. in advertising and MFA in graphic design, but credits high school industrial arts classes and studio apprenticeship as his most valuable source of training and inspiration. He has maintained a studio in New York City since 1979.

Amy Florian, CEO of Corgenius, combines the best of neuroscience and psychology with a good dose of humor in training professionals to build strong relationships with clients through all the losses and transitions of life. She is author of over 100 articles and the book *No Longer Awkward: Communicating with Clients through the Toughest Times of Life*. She was chosen by *LifeHealthPro* as one of the "20 Most Creative People in Insurance & Financial Services." She holds a master's degree and is a fellow in thanatology (the highest level of certification in the field of grief studies). She taught a graduate class at Loyola University of Chicago for nine years, has worked with over 2,000 grieving people, and consults with firms, corporations, nonprofit organizations and individuals nationwide.

Amy Parvaneh, who wrote the piece about the traditional sales training and compensation structures in the financial industry on page 14, is the founder and CEO of Select Advisors Institute, a sales, marketing and compensation consulting firm to advisors and attorneys. Her firm has worked with thousands of advisors on improving their sales and marketing approaches in a discerning and fiduciary manner. She received her MBA from Duke University and soon joined the investment management division of Goldman Sachs & Co., where she shattered expectations for the speed she brought to the firm a client base whose net worth exceeded $1 billion. She launched Select Advisors Institute in 2014 to motivate, train, and partner with service providers who are looking to grow at the same pace and trajectory she has grown her career and businesses.

Wealth Management™

Editor-in-Chief **DAVID ARMSTRONG**
david.armstrong@informa.com

Managing Editor **DIANA BRITTON**
diana.britton@informa.com

Senior Wealth Planning Editor **DAVID LENOK**
david.lenok@informa.com

Staff Writer **SAMUEL STEINBERGER**
samuel.steinberger@informa.com

Staff Writer **ERICK BERGQUIST**
erick.bergquist@informa.com

Staff Writer **PATRICK DONACHIE**
patrick.donachie@knect365.com

Staff Writer **ASIA MARTIN**
asia.martin@knect365.com

Content Production Editor **MICHAEL SAMUELS**
michael.samuels@informa.com

Contributing Editor **DAVIS JANOWSKI**
davisjanowski@gmail.com

Contributing Writers
MINDY DIAMOND, ANNE FIELD, JOHN KADOR, KEVIN MCKINLEY, MARK MILLER, MATT OECHSLI, LYNN O'SHAUGHNESSY, DAN WEIL, BRAD ZIGLER

Group Design Director **KATHY MCGILVERY**
kathy.mcgilvery@informa.com

Group Art Director **SEAN BARROW**
sean.barrow@informa.com

Copy Editor **JOYCE KEHL**
pinkscooter@me.com

Group Digital Product Manager **CHRISTIAN WEBB**
christian.webb@informa.com

Group Digital Director **DAVID BARRY**
david.barry@knect365.com

Group Production Manager **GREG ARAUJO**
greg.araujo@informa.com

Production Manager **LAUREN LOYA**
lauren.loya@informa.com

Advertising Operations Specialist **TERRY GANN**
terry.gann@informa.com

For questions about your *WealthManagement*™ subscription, please contact RGCS@PBSUB.COM
U.S. Toll Free: **866/505-7173**
International: **847/513-6022**

Reprints Contact informa@wrightsmedia.com
877/652-5295

Archives and Microfilm This magazine is available for research and retrieval of selected archived articles from leading electronic databases and online search services, including Factiva, LexisNexis and ProQuest. For microfilm availability, contact ProQuest at 800/521-0600 or 734/761-4700, or search the Serials in Microfilm listings at *proquest.com*.

Privacy Policy Your privacy is a priority to us. For a detailed policy statement about privacy and information dissemination practices related to Informa® magazines and media products, please visit our website at *informa.com*.

Letters to the Editor Please include writer's name, address and daytime phone number. Letters may be edited for clarity and length. All submissions become the property of *WealthManagement*™. Publication subject to publisher approval. Mail: *WealthManagement*, 605 Third Avenue, New York, NY 10158; Attention: Diana Britton. Fax: 913/514-3856. Email: diana.britton@informa.com.

Wealth Management™

Vice President, Financial Services Group
WILLIAM O'CONOR
william.oconor@informa.com 212/204-4270

Business Manager
CASEY CARLSON
casey.carlson@informa.com 610/373-2099

Group Marketing Director
JAY MCSHERRY
jaymcsherry@earthlink.net 212/204-4210

Sales Manager and New England
KRISTINA NIEMI
kristina.niemi@informa.com 312/840-8464

Southwest States, California (A-L), New York (A-L), Missouri, Ohio
MARC ANGEL
marc.angel@informa.com 212/204-4201
Sales Support: **Samantha Szorentini**
samantha.szorentini@informa.com 212/203-4672

East Coast States, New York (M-Z), except New England
KEVIN REARDON
kevin.reardon@informa.com 212/204-4240
Sales Support: **Nicole Mazzara**
nicole.mazzara@informa.com 312/204-4257

Midwest States
MARIANNE RIVERA
marianne.rivera@informa.com 312/840-8466
Sales Support: **Kimberley Rogers**
kimberley.rogers@informa.com 312/635-9141

Northwest States, California (M-Z), Canada
BETH RUBINOFF
beth.rubinoff@informa.com 312/219-9768
Sales Support: **Kimberley Rogers**
kimberley.rogers@informa.com 312/635-9141

Group Publisher Emeritus
RICH SANTOS

ADVERTISING OFFICE
605 Third Avenue, New York, NY 10158;
312/840-8464; Fax: 913/514-6458

WealthManagement™ provides information of general interest to financial advisors. It does not render or offer any investment advice. The publisher does not in any way guarantee the accuracy of any of the information or advertisements appearing in the magazine and does not in any way endorse or recommend the business or products of any company mentioned in any article or of any advertiser. Principals or staff members of this magazine may from time to time own or trade shares of stock or other interests in such advertisements or companies. No statement in this magazine is to be construed as a recommendation to buy or sell securities.

WealthManagement™ is a registered trademark of Informa. All rights reserved. Reproduction in whole or part is strictly prohibited.

POSTMASTER Send address changes to *WealthManagement*™, P.O. Box 2100, Skokie, IL 60076.
Copyright 2020, Informa. All rights reserved. Printed in the USA.

Moving? Your free subscription will not follow you unless you change your address online at *wealthmanagement.com/addresschange.* Allow up to six weeks for delivery.

Fire, Hire or Keep

Due to the demands of publishing schedules, much of this issue was completed before the coronavirus pandemic threw all of us into a new reality.

We managed to pivot, tore up half the issue and changed the cover—and here you'll find some of our earliest articles about the impact on the wealth management industry and how advisors are coping.

It's fair to say we'll all be at this for some time. There are the immediate concerns—quarantines, a new working reality and the health issues that, for many, are starting to hit close to home.

But we got a hint of the longer-term reality the day before this issue shipped with the Labor Department's report of over 3 million new unemployment insurance claims. Not unexpected, but so astronomically high it shocked even jaded Wall Street observers. The economy is grinding to a standstill. Most predict the situation will get worse and a recession imminent.

No one has a clue how long it will last or what the stock market will do over the next several months. Financial advisors, most of whom still charge on an AUM basis, will see a hit to revenue. Beyond that, how it plays out for the industry is not clear.

But we do have history as an imperfect guide: In the Great Recession of 2008, markets plunged 50% and took five years to recover. U.S households lost an estimated $17 trillion in wealth. Researchers from Texas Tech University and Winthrop University wanted to see how that event changed clients' relationships with financial advisors—did these suddenly poorer clients walk away in anger?

Using data from the National Longitudinal Survey in 2007 and 2009, they looked at U.S. households that kept, hired, fired or never had an advisor, and what variables (income, net worth, education, etc.) explained the differences.

In their sample, more people hired a financial advisor than fired one. In fact, the hire group lost a bit more net worth than the those who fired—suggesting the drop was, for some, a wakeup call to get help. Overall, the hit to net worth or income among the fire group did not stand out as significantly different than the experience of any of the other groups. According to the paper, published in the November 2019 edition of the *Journal of Financial Counseling and Planning*:

"…most of the variables used, which are mostly related to money, are not the main reasons why clients fire advisors…the multivariate results on a change in income or net worth are not as expected, indicating that client–advisor relationships during the Great Recession went beyond the management of money."

I suspect most of you know this, but it's reassuring to see it validated. Clients don't hold you responsible for what you can't control. Advisors who communicate quickly, openly and honestly with their clients will not only survive the next year, but likely come out on the other side in a stronger position.

As always, we'd like to help. Let us know what kind of information you would find most useful during the next few months and beyond; email me at *David.Armstrong@informa.com*.

Good luck to all,

David Armstrong
Editor-In-Chief

What Time Is the Coronavirus Conference Call?

VIDEOCONFERENCING MAY GAIN NEW IMPORTANCE TO ADVISORS AND CLIENTS AS THE CORONAVIRUS LEADS TO QUARANTINES, REMOTE WORKING AND ISOLATION.

BY SAMUEL STEINBERGER

Photo: Kena Betancur/Getty Images

The threat of COVID-19 could accelerate advisor adoption of videoconferencing.

Advisors, anticipating the possibility of fewer face-to-face meetings with clients, are turning to their peers on social media and researching new tools to weigh the pros and cons of various videoconferencing services, such as Zoom, FaceTime, Skype, Google Hangouts and Loom, as growing swaths of Americans are stuck in self-isolation or quarantine.

Advisor network Carson Group's cloud-based client portal was already designed for situations where face-to-face advisor-client meetings might not be possible, said Jud Mackrill, chief marketing officer at the Omaha, Neb.-based firm. "An event like this just exemplifies just how imperative remote work is," he said. "We believe that clients should be able to stay home if they wish. It could be for convenience, self-quarantine, busy schedules or really anything. We know it's not easy for advisors to move to video conferencing, but we want to give clients the experience they want."

A growing number of clients prefer to interact with their advisors online, he added, noting that Webex, GoToMeeting and Zoom are all options for clients and advisors using the firm's Client Experience portal. "When we look at the necessities of doing business in a modern way, you must have the ability for everyone to work remotely," he said.

Advisors agree that simplicity is key to successfully implementing video-based meetings, especially for clients who may not be as comfortable with that mode of communicating. "We want to keep it as simple as possible," said Benjamin Brandt, founder and president of Capital City Wealth Management in Bismarck, N.D. He first started using Zoom two years ago and prefers to send his clients one link with a note confirming the

SHARE this article

Past performance is no guarantee of future results. Investing in a mutual fund involves risk, including the possible loss of principal. The prospectus and summary prospectus contain more complete information on the investment objectives, risks, charges and expenses of the fund, and other information, which investors should read and consider carefully before investing. Prospectuses are available at ThriventFunds.com or by calling 800-521-5308.

The Morningstar Rating™ for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar risk-adjusted return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns.

© 2020 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. Ratings may differ among share classes of a mutual fund as a result of different expense structures; however, the ratings do not consider sales loads.

The principal underwriter for Thrivent Mutual Funds is Thrivent Distributors, LLC, a registered broker/dealer and member of FINRA and SIPC. Thrivent Asset Management, LLC, an SEC-registered investment adviser, serves as the investment adviser for the Thrivent Mutual Funds. Both entities are subsidiaries of Thrivent Financial for Lutherans.

2969768-022620

BLOTTER

A Fraud in Connecticut

A jury in a federal court in New Haven, Conn. ruled that a Connecticut-based investment advisory firm defrauded clients by making unauthorized securities purchases and enriching himself through additional fees.

The original SEC complaint, filed in December 2017, accused Christopher E. McClure, the owner of Westport Capital Markets, of breaking his fiduciary duty to clients by purchasing securities with undisclosed mark-ups and fees that were in addition to the fees already known to (and being paid by) his clients. The complaint argued that these risky investments produced losses of more than $1 million for those clients.

A federal district court in Connecticut had already granted partial summary judgment in favor of the SEC last September, agreeing that McClure and the firm had failed to disclose conflicts and that McClure had made unauthorized securities transactions on behalf of clients who were unaware. The jury agreed that McClure and the firm had "acted intentionally, knowingly or recklessly," violating antifraud provisions.

Westport originally purchased securities at a discount to the original public offering price, and then resold those securities to clients with marked-up prices without disclosing that fact, according to the original complaint.

—Patrick Donachie

What Time Is the Coronavirus Conference Call?

time of the meeting.

Brandt makes sure the computer audio and video is set up ahead of time and doesn't bother with sending a dial-in number, if he can avoid it. Clear instructions about how to use video conferencing can make a world of difference with nervous clients.

While his clients are comfortable with video meetings, Tyrone Ross Jr., a financial consultant and director of community at Altruist, recommends filming a video walking through the process of setting up a videoconference for those new to that mode of communication. "Maybe you record it in your office, and you send it out as an email to your clients," he explained. "If advisors haven't embraced video now, they definitely need to start looking at it." He recommends Skype video for one-on-one meetings with clients, because of the sharpness of the image.

Advisors who use video pointed to the ability to read body language as an advantage over a simple phone call. "It's more intimate to be able to look somebody face to face," said Brandt. "That's better for relationship building. You want to have a good relationship with somebody, especially when the markets are acting so difficult. You want them to have confidence in you."

It also helps that tools like Zoom and Loom allow screen sharing. Screen sharing can come in handy when looking at a portfolio together, or if a client wants his or her advisor to take a look at assets held in another account.

There are other advantages to videoconferences as well, said Brandt. "Two spouses don't even have to be in the same room. I just got off of a Zoom call about an hour ago and the husband was in one place and the wife was in another place. Your meetings are much more efficient." Meetings that once took an hour or more have been whittled down to 45 minutes, he said.

"The coronavirus, whatever it ends up being, could push us to implementing some of these things that we maybe should be implementing anyway," he concluded. ■

#FinTwits

Russell Kroeger @rkroeger13 • Mar 5

How are RIAs preparing for WFH over the coming weeks/months?

Many RIAs are anti-WFH & never implemented the tech to manage the need. Plus most serve a demo that calls the office about markets vs scheduling calls/video chat.

RIAs will look very different pre & post coronavirus.

Ian Cassel @iancassel • Mar 6

Financial Advisors - if none of your clients are calling right now all worried it means you did your job in the beginning.

Peter Mallouk @PeterMallouk • Mar 23

When this is over we all need to stop using Amazon for 90 days and instead:
1 - Shop at our local stores
2 - Eat out often and tip big
3 - Grab drinks with friends more than normal and support our local bars
4 - Catch up on travel

SHARE this article

Wealth Management has evolved. Prepare for the future with ABA training.

ABA has everything you need to address the wealth management evolution. In just a few years, five generations of wealth owners will be seeking guidance through widely diverse attitudes and perceptions about technology, culture and gender. As an immense, generational wealth transfer accelerates, ABA has developed new training opportunities to prepare advisors for these challenges.

New courses and certificates coming in 2020.

Visit aba.com/WealthTraining or contact your Relationship Manager at 1-800-BANKERS.

aba.com/WealthTraining

COMINGS & GOINGS

Mark Tibergien, the longtime CEO of Pershing's advisor business, will be retiring at the end of May. Pershing veteran **Ben Harrison**, currently head of business development and relationship management for Pershing's advisory segment, will take over CEO duties on June 1.

Michael Kitces, director of research for investment advisory firm Pinnacle Advisory Group and co-founder of the XY Planning Network for financial planners, will join Focus Financial Partners-owned Buckingham Wealth Partners as the head of planning strategy. Additionally, **Jeffrey Levine**, the CEO and director of financial planning for registered investment advisory firm BluePrint Wealth Alliance and the director of advisor education at *Kitces.com* will join Buckingham as the director of advanced planning.

ECHELON Partners, the Manhattan Beach, Calif.-based investment bank and consulting firm that focuses exclusively on RIA mergers and acquisitions, has hired **Mark Bruno**, formerly of *InvestmentNews*, as managing director to head up its newly formed New York office. Bruno will focus on investment banking, valuation and management consulting services, in addition to managing ECHELON's research and conferences.

Avoiding Compliance Pitfalls During the Coronavirus Pandemic

Financial advisors and firms have raced to become accustomed to a new way of working. Many offices are now empty, with many firms working entirely with clients, and colleagues, remotely.

Despite the new environment, compliance mandates still exist, and firms, advisors and compliance officers need to conduct their business in a way that continues to toe those lines, according to Karen Barr, president of the Investment Adviser Association (IAA).

"I don't know if everyone contemplated a full-on remote environment; are people's laptops all secure? Are there cybersecurity concerns?" she said.

The crux of many concerns center around how client communications are archived.

For instance, Brian Hamburger, the CEO and co-founder of MarketCounsel, cautioned that any email sent to more than one client could be considered advertising and should be reviewed as such.

To mitigate the chance that communicating remotely with clients creates confusion, Sarah Buescher, IAA's associate general counsel, said firms should make sure their employees are speaking to clients in a common voice, and perhaps set up some type of central system where clients' questions can be addressed. That way, if multiple clients have similar questions, they aren't receiving divergent answers depending on their advisor.

Photo: BCFC/iStock/Getty Images

Additionally, advisors should still document all interactions with clients and team members, regardless of the channel or platform, according to Ben Edwards, a professor in business and securities law at the UNLV William S. Boyd School of Law in Las Vegas.

This may be easier said than done for some firms, as clients and advisors explore ad hoc ways of communicating. For example, clients may want to communicate with advisors via text, and if firms are not set up to document those messages, they may have to resort to screenshots of conversations. Twitter direct messaging or LinkedIn messages with clients are other potential pitfalls.

"This is going to be enormously stressful for firms and compliance departments, because they've got to do it, and have to innovate, and have to do it from home," Edwards said.

Most firms already have a fairly strong email archiving system in place, according to GJ King, the president of RIA in a Box.

"There's good archiving technology. It's there, but you're asking people to dramatically and quickly adopt new tech. It's a recipe for things to go wrong."

Supervising sales staff and representatives will be one of the hardest things for firms' compliance departments to do remotely, according to Max Schatzow, a counsel for registered investment advisors and broker/dealers on compliance issues and the founder of AdviserCounsel.

Even as the tools are available, it's the uncharted nature of the new business environment that is a challenge.

"This situation has already created losses in client portfolios and unhappy investors, and (for advisors) there's no presence of anyone looking over your shoulder," he said.

The sudden combination of a market rout, largely untested work environments and processes, as well as the compliance pitfalls, will have a winnowing effect on advisory firms, said Hamburger.

"I think we'll start to see which RIAs have been running as businesses, resilient and stronger than one person ... or which continue to run as glorified practices," he said. "And those practices may not be strong enough to survive."

—Patrick Donachie

SHARE this article

Volatile markets are a fact of life. The losses they bring don't always have to be.

A Brighthouse Shield® Level Annuity offers market participation clients want with three levels of downside protection they need.

Help your clients build for the future with a level of downside protection. This can make for a much smoother ride in uncertain times. Talk to your clients about the level of protection a Brighthouse Shield Annuity can add to their portfolios – all with no annual fees.

Learn more at **brighthousefinancialpro.com.**

Brighthouse Shield® Level Select 6-Year Annuity, Brighthouse Shield® Level Select 6-Year Annuity v.3, Brighthouse Shield® Level Select 3-Year Annuity, Brighthouse Shield® Level Select Advisory Annuity, Brighthouse Shield® Level 10 Annuity, and Brighthouse Shield® Level 10 Advisory Annuity, collectively referred to as "Shield® Level annuities" or "Shield® annuities," are issued by, and product guarantees are solely the responsibility of, Brighthouse Life Insurance Company, Charlotte, NC 28277 and, for products issued in New York, by Brighthouse Life Insurance Company of NY, New York, NY 10017 ("Brighthouse Financial"). These products are distributed by Brighthouse Securities, LLC (member FINRA). All are Brighthouse Financial affiliated companies. **The contract prospectus and contract contain information about the contract's features, risks, charges, expenses, exclusions, limitations, termination provisions, and terms for keeping the contract in force.** Brighthouse Financial® and its design are registered trademarks of Brighthouse Financial, Inc. and/or its affiliates. 1901 **CLVA598346**

Managing Your Business Life in Uncertain Times

WHILE THERE IS MUCH ADVISORS CANNOT CONTROL IN THEIR PROFESSIONAL TRAJECTORIES AT THE MOMENT, THESE ARE THE QUESTIONS THEY ARE ASKING. BY MINDY DIAMOND

Photo: Rob Carr/Getty Images

The world is a very different place than it was just a week ago—and continues to change in ways no one could predict nor prepare for. First and foremost, we are navigating an extraordinary health crisis and must prioritize taking care of ourselves and our loved ones.

And, of course, there's the formidable financial crisis—the impact of which is unquantifiable at this time. As advisors entrusted with the financial well-being of your clients, it probably feels like you're drinking from a fire hose—balancing communications with them while processing an abundance of information from your firm and the media.

Advisors that we've been talking with over the last few weeks are walking through these times with courage and compassion. But at the same time, they're wondering about their own business lives going forward—curious about the state of recruiting now and into the future:

Are advisors still moving?

Are the firms still recruiting?

Are aggressive transition deals still there?

Are advisors still going independent?

And while our answer to all of the above is "Yes," it's certainly not business as usual. Here's where things stand today …

Are advisors still moving?
Advisors who were far along in their due diligence processes or had commitments to move are still planning to do so. Attorney David Gehn, a partner in litigation at New York–based law firm Ellenoff Grossman & Schole LLP, says, "If an advisor believes he will be better served elsewhere, then a move is appropriate. However, if a team is moving now or in the

Click for more BUSINESS PLANNING SHARE this article

near future, there is an extra level of diligence that should be undertaken to ensure that all the requisite support needed for transition and ongoing operations is available."

Understandably, though, advisors who were just beginning to dip their toes in the due diligence waters are likely to take a hiatus until things stabilize.

Are firms still recruiting?
The prevailing message from leadership at every wealth management firm, independent broker/dealer and custodian is that recruiting remains a top priority—and they are still actively onboarding advisor talent, although the timing of a move may be fluid. The firms are taking their cues from advisors and engaging at whatever pace the recruits feel comfortable with.

Are aggressive transition deals still there?
As of this moment, we have no reason to believe that transition deals will change in any way. What remains to be seen is how the firms will account for declines in advisors' trailing-12 production numbers over time. As of now, it appears most firms are honoring outstanding transition offers if a team moves within the next 60–90 days.

Are advisors still going independent?
We are working with many advisors and teams who are planning to break away. In addition to the many advantages of independence motivating them to leave the banks and brokerage firms, the ability to more nimbly and creatively communicate with clients, particularly in times of crisis, has become a more significant driver than ever before.

What About Timing?

Yet, of all the questions we are asked, the one we are asked most often is this:

Is it appropriate to consider change in the midst of this volatile climate?
Considering change, in any climate, is a highly personal decision. So we always counsel advisors to think about the following:

1. Don't let fear drive your decisions—be thoughtful, measured and prudent.
2. Don't lose sight of the goals you set for yourself—timing may be the only thing that ultimately needs to shift.
3. Remain big picture focused—in the wake of a crisis, it's even more important to keep your eye on the prize and continue making decisions with the endgame in mind.
4. Use this time to view your firm through the lens of being a good partner—ensuring that you have the support, platform and freedom that allows you to best serve your clients.
5. And, while uncertainty and instability are the watchwords for now, remember this, too, shall pass.

These are unprecedented times for which there is no playbook. How people choose to react and respond is highly personal. But we do know this: When you are expected to be a professional cheerleader for clients and staff, you're likely forced to ignore your own feelings of fear and anxiety, leaving you overwhelmed and exhausted. So it is equally important that you be observant of your feelings, taking good care of your mental well-being as well as your physical health—and acknowledging the impact stress may be having on you.

I personally find healing moments in those things that center me: Taking breaks often. Going for walks. Meditating. Exercising. Talking with my family. And being fully present in every conversation I have.

And while there's much going on that we can't control, there's much that we can. That is, our attitudes, our responses and the decisions we make. So let's move through this together, staying healthy and well, with a mindset that is open and positive. ■

> **These are unprecedented times for which there is no playbook.**

MORE PRACTICE MANAGEMENT:
http://wealthmanagement.com/practice-management

Mindy Diamond
is president of Diamond Consultants of Morristown, N.J., a nationally recognized boutique search and consulting firm in the financial services industry.

Click for more BUSINESS PLANNING
SHARE this article

I'm Mortified by Financial Industry Sales Training

THE 'SALES COACH' MENTALITY STILL THRIVES IN THE ADVISORY WORLD, TO EVERYONE'S DETRIMENT. THERE IS A BETTER WAY. BY AMY PARVANEH

Photo: fizkes/iStock/Getty Images

Over the weekend, I was scrolling through my LinkedIn account and was rudely awakened by some posts that I personally considered embarrassing for any financial advisors to read.

Or at least any advisors who call themselves fiduciaries in charge of people's hard-earned wealth and legacy.

Some of these posts were created by "coaches," some with hundreds of thousands of followers, creating video selfies on their iPhone talking at 5,000 miles an hour about sales. Looking through their profile background, I wasn't surprised that most of them were in software or insurance sales prior to becoming self-proclaimed "trainers to financial advisors."

Do the following terms make you cringe too?

- **"Setting" appointments (as if we're a dental practice)**
- **Your "reps" (talking about people within an organization as if they are ants)**
- **"Crushing numbers" (we're not on a football field here)**
- **Getting a deal "booked" (almost feels like we're talking about catching fish)**
- **Getting more customers (who even uses that term anymore in the investment arena?)**

Even beyond traditional sales rants on LinkedIn or at conferences, as I travel the nation meeting with advisory firms about their teams, I get uncomfortable when I hear compensation structures that seem completely contradictory to the "consultative" nature the firm prides itself on.

It worries me when I see advisory firms, many of whom keep saying they're modern and forward-thinking, create their compensation structures like things worked back in the '80s or '90s, when it was as simple as cold calling your way down the leads list, getting a meeting, selling a stock and collecting a commission.

Frustrated management teams are so proud to tell me they will happily give their team 50% of revenue for any new high-net-worth investors their team brings in and are shocked to find that isn't enough motivation.

And advisors with so many other things on their plates have bonuses dangling above their heads like carrots, looking impossible to achieve given so much competition and so many uninterested investors.

If you're just as grossly turned off as I am about some of the terms above, terms used by the former software salespeople, or are concerned about the way some firms' compensation structures are so backward-thinking—YOU ARE NOT ALONE.

Unfortunately, these old methods and language, as well as old ways of rewarding a "sale," are the exact reason why every time I survey a group of wealth managers about how they feel about the word "sales," 99% of them say, "We hate it and think it's disgusting."

It's also probably the

Click for more BUSINESS PLANNING SHARE this article

reason why advisory firms can't seem to hire talented and skilled advisors unless they can guarantee their candidates that business development will never be required of them. This is scary.

Let's first examine why both the approach and the rewards are not reflective of today's world and discuss how this mixed-messaging epidemic can be resolved for our industry.

For starters, the sales training: Perhaps back in the day, a wealthy individual was not fully aware of the way investments worked. He or she received a call from a "broker," who "sold" him or her on to the benefits of buying one stock over the other. The investor approved this sale without much thought, and the advisor "crushed" his numbers. In that time, perhaps a sales trainer talking at 5,000 miles an hour about "reps" booking appointments and building a "book of business" may have worked and motivated a team. Now, it's a gigantic turnoff.

Not only is it a turnoff, but it doesn't work! With the advent of so much technology and information all around us, as well as investors becoming more savvy than ever before in not falling for "exclusive attitudes" and fake sales methods like those that led to the Bernie Madoff scheme, those traditional sales training methods no longer apply, and in fact can get your team into major trouble with regulators.

Today's investors want true information on how an investment advisor can make their life simpler in a way that an app at their fingertips cannot. This requires being a true consultant, not a transaction facilitator. Showcasing analytical data and proof that 'Yes, Mrs. Smith, you can do this all by yourself, but we can reduce your time around it, and here's why you can trust me with that task.'

That leads me to my next point about compensation structure: If trust-building is the main way investors will hand over any of their assets to you going forward, then paying advisors within an organization only upon the "close" of a deal may mean they wait potentially years for their bonus. This can be extremely discouraging as it doesn't value the trust-building process advisors need to go through to build those relationships with prospects. Or it can rush them through the consultative sales process and in fact ruin the opportunity.

We highly suggest becoming more creative with your compensation structure to reward a different kind of behavior. Encourage more of your advisors to go through the long journey of building trust with investors. Consider all the portions of the journey to getting a new client and find incentive structures that are aligned with that journey.

Why is all of this important?

Because in truth, even with all the sales hype, we are not growing.

Advisory firms are growing on average 2% annually, and the key method for growth continues to be passive referrals. Advisors boast about doubling in size, but when you look under the hood and past the market appreciation, it's primarily from referrals or M&A.

All of this resentment toward proactive organic growth so they can avoid giving in to the old-fashioned sales methods or waiting for a commission pay.

If you want your firm to grow, but you don't respond to the type of messaging I read on LinkedIn nor want to build a boiler-room culture, there is a better solution.

It's called Consultative Sales. If you and your team can become true consultants to your clients, like McKinsey is to large organizations or boards of directors are to a management team—you can align your compensation according to the process of building a relationship, not sales—then, and I really believe only then, can you become a successful wealth manager with strong organic growth. ■

Amy Parvaneh is the founder and CEO of Select Advisors Institute, a sales, marketing and compensation consulting firm to advisors and attorneys. Her firm has worked with thousands of advisors on improving their sales and marketing approach in a discerning and fiduciary manner.

We highly suggest becoming more creative with your compensation structure to reward a different type of behavior.

MORE PRACTICE MANAGEMENT:
http://wealthmanagement.com/practice-management

Click for more BUSINESS PLANNING
SHARE this article

Do you have what it takes to be one of our best?

$1.2B
total assets under management in 2019*

$11.5M
combined gross production in 2019*

174
years of combined experience*

* Statistics for financial advisors shown in photo.

Let us help you get there.

Independent Financial Group, an exclusive independent broker-dealer, is committed to helping its financial advisors amplify their success. With our personalized coaching programs, advisor-led conferences, and acquisition support, we're here for you every step of the way.

Join America's Finest Broker-Dealer®
Call Julia at (800) 269-1903 x212
joinus@ifgsd.com
Learn what it takes to be one of our best by visiting ifgsd.com.

Social Responsibility & Diversity Award
Wealth Management Magazine, 2018

#8

in percent of female advisors
Financial Planning Magazine, 2019

#4

in overall satisfaction, IBD Report Card
Wealth Management Magazine, 2019

My Life as a Client

A Positive Attitude

A LOT CAN BE LEARNED LISTENING TO CLIENTS' EXPERIENCES WORKING WITH FINANCIAL ADVISORS—GOOD AND BAD. WE TALKED TO **ADAM WEINBERG** OF WEST NEW YORK, N.J., FOUNDER OF WEB GUY X, A DIGITAL MARKETING FIRM, AND RELAX WITH ADAM, A MEDITATION CENTER, BOTH BASED IN NEW YORK CITY. BY ANNE FIELD

About four years ago, I took a position with a multimedia company, and the main client was a mortgage brokerage firm. It was my responsibility to generate quality leads—to bring in new business via internet marketing for that client. As part of that effort, I talked to all of the people who would interact and collaborate with mortgage brokers. So, in order to do my job, I needed to meet with a lot of advisors, because how do you market something you know nothing about?

The pay structure was hefty, and my fiancée and I had just moved in together. It became obvious that I needed to choose a financial advisor of my own.

I talked to at least two dozen advisors. I can't even say I liked the one I ended up choosing. I just didn't dislike him as much as the others. I felt they were condescending, like I was being picked last at recess for the team. Also, they told me to put more money into savings, but without considering what the true cost of living is. We're talking about recommendations like eating poorer quality food.

Also, they used very negative language—I might need a particular type of insurance if, God forbid, something should happen to me. The person I did engage, it was partly because of his language. He was much more positive and forward-looking. He seemed to be someone who cared.

He also suggested we cut back our expenses—and we tried. But it caused a very uncomfortable lifestyle. At one point we stopped using our oil heater for anything but hot water and started using space heaters. But at the end of the day, I had very little left over for saving. That meant I had less money available to live on, while earning a miserable return. I stayed with him about six months. Then I closed the accounts.

A few years later, I started my own digital marketing company. I got involved with a business networking group to build my business. There was one financial advisor who kept winning all these awards. I thought, let me sit down with him and take a look at my situation.

He's my age, and he understands my life. His advice is based on how I can be a better businessman, what networking events I should attend, how to weigh the cost of going to one event versus another. He talks about my time being my biggest resource, that I need to spend my time with the right people and know how to amplify that. He helps me manage my social currency. And he's made a positive out of my financial situation. We can only put away a small amount of money each month. But, here's how we can make it work.

My company is a registered benefit corporation. We talk a lot about my core values. He's focused on sustainability, and his firm has a sustainable investing department. He also introduced me to a payment app called Cash App that I can use to invest in bitcoin and stocks. I invest a miniscule amount of money. But we talk about which stocks align with my values.

Because of that advisor, I attended an event run by an organization with a mission to have women move their money out of banks supporting fossil fuels and met a woman who's become my informal advisor. She's helped me learn how to amplify the sustainability issues I discuss with my advisor. Now, when I go to networking events, I'm not convincing people to buy my product. I'm out there talking about things that matter. It's made a big difference to my business, leading me to the type of clients I want.

She introduced me to an app called Newday, which lets you invest in funds that support socially responsible and sustainable choices. We get only an incremental return, but my wife and I feel fantastic about what we're doing. ■

Photo: Bill Brady Photography

Click for more CLIENT RELATIONS SHARE this article

YOU'RE GROWING AUM, BUT ARE YOU GROWING CLIENTS?

Growing your AUM is great but expanding your client base is just as critical to the health of your business. How can you grow new client relationships?

With whirlwind tech innovation, shifting regulations, and ferocious competition, last year's client recruitment strategy may not work today. Here are four simple actions you can take to target growth and help your ideal clients find you:

Refresh your reputation

In the 2020 Edelman Trust Barometer, the financial services industry ranked last out of 15 sectors for perceived trustworthiness.[1] Your social media accounts, website, and reputation are your first chance to win the trust of potential clients: Make the fiduciary standard front and center in every interaction.

Target your niche

Advisors can't be all things to all people. Follow your strengths to identify a market niche and differentiate yourself with targeted solutions and messaging—for example, consultancy Oliver Wyman notes that women now control 40% of the world's wealth but are underserved by financial services, representing a $700 billion revenue opportunity.[2]

Think connections, not referrals

While 53% of RIAs expect growth to come from client referrals, 45% of current clients leave in the first two years.[3,4] A single referral could fizzle, but sustained relationship-building with your existing clients through education initiatives, client appreciation events, and client advisory boards nurtures your relationships—helping to both boost retention and open doors to new networks.

Put your house in order

Make sure your firm is well positioned to manage growth. Are you mentoring junior associates and hiring equitably? Do you have a succession plan? Do you have tech and support in place to scale unique solutions for client needs?

To grow clients, you'll need the freedom and support that comes with working with the right custodian and technology platform. The Liberty platform from E*TRADE Advisor Services is designed to help you realize your full potential, with time-saving tech that delivers an exceptional client experience.

1.Edelman, "2020 Edelman Trust Barometer," 2020, https://cdn2.hubspot.net/hubfs/440941/Trust%20Barometer%202020/2020%20Edelman%20Trust%20Barometer%20Global%20Report.pdf?utm_campaign=Global:%20Trust%20Barometer%202020&utm_source=Website

2.Oliver Wyman, "Women in Financial Services 2020 report," 2020, https://www.oliverwyman.com/our-expertise/insights/2019/nov/a-focus-on-corporate-and-institutional-banking.html

3.E*TRADE Advisor Services, "Small accounts, big opportunities: Management practices and technology can turn small account worries into models of success," 2019. https://www.trustamerica.com/sites/default/files/assets/resources/2d6645596006565bc922aec4d3a15881/AI%20Report_Small%20Accounts_WEB.pdf

4.E*TRADE Advisor Services, "Client retention: Why clients leave and five ways to encourage them to stay," 2019. https://www.trustamerica.com/sites/default/files/assets/resources/400fd6303ae71e176a0f61d2b0237f3c/AI%20Report_Client%20Retention_WEB.pdf

Investment Products: Not FDIC Insured - No Bank Guarantee - May Lose Value.

© 2020 E*TRADE Savings Bank, doing business as "E*TRADE Advisor Services." Member FDIC. All rights reserved.

WE TREAT YOUR BUSINESS LIKE YOU TREAT YOUR CLIENTS.

At E*TRADE Advisor Services, we're always here to help. That's why our dedicated service teams provide personalized advice and specialized care tailored specifically to the needs of your business.

See how E*TRADE Advisor Services can work for you—email us at **advisorservices@etrade.com**, give us a call at **800-955-7808**, or visit us at **etrade.com/ria**.

© 2020 E*TRADE Savings Bank doing business as "E*TRADE Advisor Services." Member FDIC. All rights reserved. **Investment Products: Not FDIC Insured - No Bank Guarantee - May Lose Value.** E*TRADE, E*TRADE Advisor Services, and Liberty are registered trademarks or trademarks of E*TRADE Financial Corporation. All other trademarks mentioned herein are the property of their respective owners. Product and service offerings are subject to change without notice. E*TRADE Savings Bank and its affiliates ("E*TRADE") do not warrant these products, services, and publications against different interpretations or subsequent changes of laws, regulations, and rulings. E*TRADE does not provide legal, accounting, or tax advice. Always consult your own legal, accounting, and tax advisors.

Lessons Learned From the Redtail Data Breach

REDTAIL'S CEO ON HOW THE BREACH AFFECTED HIS OUTLOOK ON CYBERSECURITY AND CHANGED THE WAY HIS FIRM WORKS.

BY SAMUEL STEINBERGER

March 4, 2020: It's an anniversary, but not one for celebrating. A year ago, Brian McLaughlin learned that end-clients' sensitive personal information, held by his software company, Redtail Technology, had been discovered on the open internet.

On the night of March 3, 2019, Kathryn Duryea, a lawyer and trust officer, stumbled across her name, Social Security number and other sensitive personal information in a Google search. Her phone call to Redtail the next day set off a chain of events that sent the Sacramento, Calif.-based customer relationship management software developer scrambling to figure out what went wrong and how to fix it.

Data breaches can be particularly devastating for tech companies and have affected businesses from massive asset managers, like BlackRock, to data-centric financial service support companies, like Capital Forensics. Half of small- and medium-sized businesses have been victims of cyberattacks, and "over 60 percent of those attacked go out of business," according to 2015 testimony to Congress by Dr. Jane LeClair, COO of the National Cybersecurity Institute, a Washington, D.C.-based academic and research center associated with Excelsior College.

But a year after the breach, Redtail's CEO has used the crisis as an opportunity to make top-to-bottom changes in the business he bootstrapped more than a decade ago.

After learning of the breach, McLaughlin's first steps were simply to get the information off the open internet, or "plugging the hole," as he put it. "Once you identify where [the breach] is, you can shut things down."

In an effort to avoid unnecessarily panicking end-clients or advisors who weren't affected, Redtail wanted a clear picture of who was affected. To ascertain this, the firm had to build a new set of tools to troubleshoot its own system and conclusively identify the extent of those affected by the breach. But, in doing so, the speed of updates on the data breach slowed to a crawl, drawing criticism from Duryea, who ended up moving her investments to a new advisor, and sowed confusion among advisors.

Behind the scenes, the company had to navigate both state-by-state data breach notification laws and balance timely and responsible communication about the incident—a task made more difficult because some advisors wanted to notify their own clients directly—while others preferred that Redtail disclose the breach.

"In our industry, you have multi-tiered organizations of who is responsible and owns the data," McLaughlin said. "There's a lot of communication that has to happen to get everybody looped in and get them informed.

"It slows down this process," he said.

On top of these factors, there is no federal guideline that makes distributing data breach notifications a smooth process; thus, the fall back to following the state-by-state patchwork for notifying individuals.

"Each one is so different that it requires a specialist to understand it all," McLaughlin said of state regulations and notification procedures. "It would be nice if there were some basic guidelines—there are when it comes to language of the [breach notification] letter… but there's nothing for the prep work leading up to that. That was a big slow down."

Despite the factors limiting Redtail's communication and speed, the firm had the right approach, said Steve Weisman, an attorney and professor of law, taxation and financial planning at Bentley University in Waltham, Mass. "This data breach was one where data was released by [Redtail]. They weren't attacked, but it is still a data breach and people have to recognize that," he said.

"But other than that, to me what it looked like was a company that responded responsibly," he continued.

"That is just so key to maintaining your brand, maintaining your reputation, letting your customers, your clients, know that you value them and [that] you're doing your best."

Having guidelines, standards and regulations that vary by industry, regulator, and on a state and national level make the provision of notifications a complicated and costly process.

While the notification process proved difficult, figuring out what caused the breach wasn't as complicated.

Illustration: WhataWin/iStock/Getty Images

Click for more TECHNOLOGY SHARE this article

Ultimately, it came down to human error, said McLaughlin. "It wasn't egregious. It wasn't intended to harm," he explained. "It was an honest mistake." In its breach notification, Redtail characterized the incident as a "temporary exposure" of personal data that occurred when its "logging systems inadvertently captured a small subset of personal information that we store for advisors and retained the data in a debug log file that was accessible to Internet users." In the most general terms, a debug log file is simply the capturing of data on a process running in software or a program, which can later be reviewed to better understand how that program or process is performing.

In 2019 Redtail was already beginning to migrate its data processes into the cloud. If that process had already been completed, McLaughlin predicted that the "human factor" would have been minimized in a way that lessened the likelihood of a breach. The human element of configuring servers and making changes around the clock opens the door to data incidents like the one Redtail experienced, he explained.

While transitioning to a cloud environment puts data security at least partially in the hands of large tech firms like Amazon, Microsoft, Google and others, the question of whether security is better in that environment has yet to be conclusively answered, said Florian Kerschbaum, director of the Waterloo Cybersecurity and Privacy Institute and a computer science professor at the University of Waterloo.

While cloud computing services are supposed to come with experienced security administrators that know how to apply patches and maintain a secure environment, cloud environments also present a tantalizing target for bad actors, he said. Is migrating to the cloud a better solution to cybersecurity than a tech firm with a dedicated datacenter? "The verdict is still out," he concluded.

But cloud computing is just one piece of the cybersecurity infrastructure McLaughlin has added over the last year. Redtail changed its security practices and the guidelines around its code review processes and implemented new training from an online provider of cybersecurity education. It installed its own global threat dashboard to detect and mitigate service disruptions from outside attackers, and it's using more automated tools to do daily, not quarterly or monthly, scans of its systems.

One of the biggest changes is that Redtail now has a group of employees dedicated to security, after adding full-time cybersecurity personnel to its staff. McLaughlin also changed the way his developers work by mandating a peer review process for in-house software development.

The changes haven't been free, but McLaughlin said he'd managed to keep the costs of the data breach under $1 million so far. No one lost their job because of the breach, he said, but one of the employees involved in the data breach left the firm.

Going forward, McLaughlin is confident that the root causes behind the data breach have been corrected. Redtail's clients and other vendors in the wealthtech industry have been, generally, supportive, he said. If there were any regrets beyond the incident itself, McLaughlin said he wished his company could have more quickly notified affected individuals. Nevertheless, the CRM provider's clients are "pretty pleased with how we handled it overall," he said.

But the memory of the incident is in no danger of fading away.

"It was a wake-up call for a lot of developers. Somebody wrote this code that did this and somebody configured a server that did that," said McLaughlin. ■

"It was a wake-up call for a lot of developers. Somebody wrote this code that did this and somebody configured a server that did that."

Photo: Samuel Steinberger

Winning the Low-Volatility War

CURRENT BEDLAM IN THE MARKETS MAY WHET YOUR CLIENTS' APPETITES FOR LOW-VOLATILITY ETFS, BUT NOT ALL ARE CREATED EQUAL: WE TAKE A FORWARD LOOK TO FIND THE BEST.

BY BRAD ZIGLER

Illustration: bluebay2014/iStock/Getty Images

A rose may be a rose, but there are definitive differences among low-volatility ETFs. Historically, they may suffer price deviations to a lesser degree than the market, but the derived benefit can vary substantially. Some funds are exemplars of the low-volatility anomaly where the Capital Asset Pricing Model (CAPM) is stood on its head, rewarding investors for taking on less risk. Others, not so much.

Now, more than ever, these portfolios are being tested. But here's the thing: Current research indicates that reliance on historical beta or standard deviations may not adequately inform investors and advisors of the true potential of low-vol ETFs in tumultuous times such as these. So what can we do to better gauge expected returns going forward?

The first thing to do is identify the players on the field. As Table 1 illustrates, there are nine seasoned low-vol ETFs focused on the domestic large-cap market. With a 65% market share, the eldest and largest is the nine-year-old Invesco **S&P 500 Low Volatility ETF** (NYSE Arca: SPLV). Investors have tucked $11.8 billion into SPLV and they seem well-served for doing so. It's the exemplar of simplicity. About a hundred of the S&P 500's least volatile stocks—measured by daily standard deviations over the preceding 12 months—make up the SPLV portfolio. No other constraints are imposed.

Another subset of the S&P 500 is tracked by the **Invesco S&P 500 High Dividend Low Volatility ETF** (NYSE Arca: SPHD). Here, 50 of the least-volatile issues are plucked from the benchmark's top dividend payers. As a consequence, SPHD skews toward utilities and other defensive sectors, eschewing high-momentum industries like technology and cyclicals.

The **SPDR SSgA Large Cap Low Volatility ETF** (NYSE: LGLV) scours a broader universe to look for low-vol stocks. By applying a volatility optimizer to the Russell 1000 Index, the fund's algorithm screens for turnover, momentum and beta to arrive at a portfolio of 127 issues with three-quarters the volatility of the S&P 500.

Another take on high dividends is offered by the **Legg Mason Low Volatility High Dividend ETF** (Nasdaq: LVHD), a fund that screens for

Click for more ETFs SHARE this article

dividend sustainability as well as price volatility. The fund's index methodology also imposes constraints on concentration, liquidity and turnover in an effort to generate a so-called stable yield.

The **SPDR Russell 1000 Low Volatility Focus ETF** (NYSE Arca: ONEV) harvests its components from the Russell 1000 after scoring them for factor, i.e., quality, value, size and volatility exposures. Emphasis is given to stocks tilting to the low side of the volatility spectrum.

Like ONEV, the **Fidelity Low Volatility Factor ETF** (NYSE Arca: FDLO) runs a scoring rubric on a 1,000-stock universe, looking for issues with low price and earnings volatility, together with modest beta exposure.

The actively managed **First Trust Horizon Managed Volatility Domestic ETF** (NYSE Arca: HUSV) relies on the modeling of future volatility to select portfolio issues with the lowest expected standard deviations. The portfolio's breadth and weighting is entirely discretionary.

The **Invesco S&P 500 ex-Rate Sensitive Low Volatility ETF** (NYSE Arca: XRLV) takes a rather unique approach. The fund links volatility to interest rate sensitivity and culls the parent index of stocks that fared worst in rising rate environments over the preceding five years, leaving 100 issues that are then weighted by the inverse of their volatilities to form the portfolio.

Another active fund, the **Franklin Liberty U.S. Low Volatility ETF** (NYSE Arca: FLLV), is built up from the bottom based on fundamental analysis. Sector allocations comport with those of the Russell 1000, though issues within each sector are equally weighted.

Past as Prologue?

A look back at market action over the past three years (see Table 2) hints of the funds' ability to tame volatility. Historically, five of the low-vol ETFs produced higher average annual returns than the **SPDR S&P 500 ETF** (NYSE Arca: SPY), proof that less is often more. Less volatility, more returns, that is. While all the ETFs shaved some volatility off the S&P 500, some were better focused on specifically trimming downside deviation. Take note that the Sortino ratios for the five outperforming funds are markedly higher than that of SPY.

But what of the future? Will these funds offer enough volatility insulation to justify their cost? Will investors even need such protection going forward?

According to Tom McClellan, editor of *The McClellan Market Report*, higher volatility is an

Table 1 - **Seasoned Large-Cap Low Volatility ETFs**
(As of March 2020)

	Assets ($ millions)	Average Daily Volume (thousands of shares)	Expense Ratio (%)	Number of Holdings
Invesco SPLV	11,845	4,268	0.25	101
Invesco SPHD	3.244	763	0.30	51
SSgA LGLV	1,019	111	0.12	127
Legg Mason LVHD	796	171	0.27	82
SSgA ONEV	493	20	0.20	460
Fidelity FDLO	398	113	0.29	125
First Trust HUSV	256	47	0.70	126
Invesco XRLV	125	23	0.25	101
Franklin FLLV	83	22	0.29	83

Table 2 - **Low Volatility ETF Track Records (Three Years as of March 2020)**

	Average Annual Return (%)	Annualized Volatility (%)	Maximum Drawdown (%	Sortino Ratio	r^2	Information Ratio
Invesco SPLV	11.08	10.61	-9.51	1.26	67.21	0.01
Invesco SPHD	2.38	12.59	-13.11	0.16	72.70	-1.24
SSgA LGLV	12.48	10.77	-8.46	1.48	81.67	0.27
Legg Mason LVHD	5.17	10.92	-10.51	0.48	73.25	-0.87
SSgA ONEV	7.9	12.76	-11.54	0.75	91.79	-0.82
Fidelity FDLO	12.96	11.19	-10.52	1.43	92.96	0.54
First Trust HUSV	9.42	10.57	-9.09	1.03	74.35	-0.24
Invesco XRLV	11.21	12.03	-10.42	1.16	91.30	0.06
Franklin FLLV	12.56	11.68	-10.17	1.37	91.40	0.41
SSgA SPY	**10.97**	**12.97**	**-13.52**	**1.04**	**100.00**	**--**

The combination of a high dividend and a low-volatility tilt may produce suboptimal future returns.

enduring trend that is likely to last another year. He bases his contention on the historical correlation of T-bill yields, shifted two years forward, to the Cboe Volatility Index (VIX).

"The rise in T-bill yields which was taking place leading up to the March 2019 top is now getting echoed in an uptrending set of values for the VIX Index," says McClellan. "That process is not yet complete, and it won't be complete until March 2021." He warns that volatility spikes leading up to next year's top could be higher than what we're seeing currently.

So let's posit a few future scenarios and see where the volatility chips might fall (see Table 3). We'll rely on each fund's upside and downside capture rates versus the S&P 500 to help us derive expected returns over the next 12 months. Imagine the four setups below:

- Scenario #1—70% chance of a 10% gain; 30% chance of a 10% loss
- Scenario #2—70% chance of a 10% gain; 30% chance of a 20% loss
- Scenario #3—50% chance of a 10% gain; 50% chance of a 10% loss
- Scenario #4—50% chance of a 10% gain; 50% chance of a 20% loss

Scenario #1 yields an expected 12-month return for SPY of 4%. In this case, two of the low-vol portfolios—Fidelity's FDLO and Franklin's FLLV—are likely to outperform the market. All the rest lag, to one degree or another.

When the market's expected return is 1%, as it would be under Scenario #2, six of the low-vol ETFs outperform SPY, led by the Invesco SPLV and State Street LGLV funds. Notably, the two high-dividend portfolios turn in negative numbers.

The same six funds that outdid SPY in Scenario #2 surpass the benchmark when the market's expected to be flat as in Scenario #3. Negative returns could be expected from three of the low-vol ETFs.

Scenario #4 is the bleakest landscape. All of the ETFs can be reasonably expected to produce negative returns with the market down 5%. Still, seven funds do better, i.e., lose less, than the benchmark.

And the Winner Is ...

By virtue of its low downside capture stat, the Invesco SPLV fund produces the highest average expected return, earning it the topmost rank in our study. Fortunately, most of the money invested in large-cap low-vol ETFs is held by SPLV, so this portfolio's worth is not being ignored by investors and their advisors.

Close behind is the State Street LGLV portfolio, which commands less than 6% of the table's assets. Even less money—about 2%—is stashed in the third-place Fidelity FDLO fund, despite its high upside capture rate.

Paradoxically, the Invesco SPHD portfolio owns an 18% market share—second best in assets held—but scrapes the bottom of the table at ninth place. SPHD's high downside capture rate greatly reduces its performance relative to its peers and to the market.

If there's a lesson to be learned from our little thought experiment, it's that the combination of a high dividend and a low volatility tilt may produce suboptimal future returns.

Keep that in mind if you are tempted to run for cover from the market's ongoing whipsaws. ■

Table 3 - **Low Volatility ETF Return Scenarios**

	Upside Capture (%)	Downside Capture (%)	Expected Return #1 (%)	Expected Return #2 (%)	Expected Return #3 (%)	Expected Return #4 (%)	Rank
Invesco SPLV	70	49	3.4	2	1.1	-1.4	1
SSgA LGLV	80	60	3.8	2	1	-2	2
Fidelity FDLO	91	72	4.2	2.1	1	-2.7	3
Franklin FLLV	92	75	4.2	1.9	0.9	-2.9	4
First Trust HUSV	69	61	3	1.2	0.4	-2.7	5
Invesco XRLV	89	82	3.8	1.3	0.4	-3.8	6
SSgA ONEV	87	98	3.2	0.2	-0.6	-5.5	7
Legg Mason LVHD	61	74	2.1	-0.2	-0.7	-4.4	8
Invesco SPHD	66	102	1.6	-1.5	-1.8	-6.9	9
SSgA SPY	**100**	**100**	**4.0**	**1**	**0**	**-5**	

Click for more ETFs SHARE this article

REAL *life*

WORK-LIFE BALANCE – it can be one of the best things about being an independent financial professional, but it takes the right support. Securities America provides the tools and services you need to set your own schedule, focus on what matters most to you in life and still work closely with your clients, including:

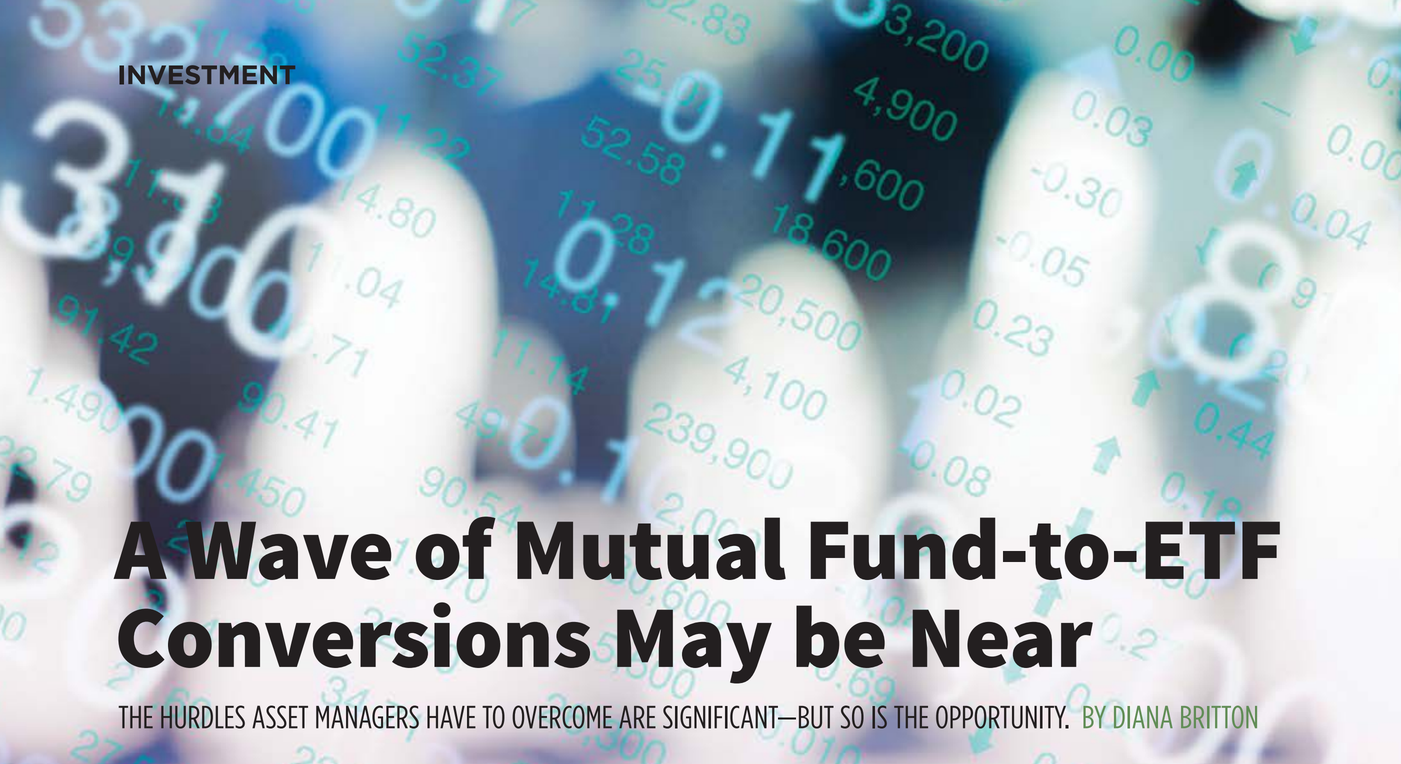
- More efficiency through our award-winning technology
- Coaching programs to expand your business without expanding hours at the office
- Simplified portfolio management with fully integrated advisory platforms
- Time-saving hiring and training programs to bring on associate financial professionals and other office support staff

Contact us today to learn more about how we can help you enjoy a *real life* and a successful practice.

Your business growth expert.

800-989-8441 | securitiesamerica.com

Securities America, Inc., Member FINRA/SIPC,
Securities America Advisors, Inc., an SEC Registered Investment Advisory Firm



A Wave of Mutual Fund-to-ETF Conversions May be Near

THE HURDLES ASSET MANAGERS HAVE TO OVERCOME ARE SIGNIFICANT—BUT SO IS THE OPPORTUNITY. BY DIANA BRITTON

Now that regulators have approved so-called semi-transparent exchange traded funds, asset managers have the chance to launch ETF versions of their active investment strategies.

The next step to come, observers say, will be converting existing mutual funds into ETFs. No fund manager has taken the step yet, but law firms, asset managers and fund issuers all are developing a pathway, potentially leading to moves that would more than double the current level of assets in ETFs.

Douglas Yones, head of exchange traded products at the NYSE, said it's not a matter of if, but of when, these mutual fund conversions start to happen.

"Every legal firm supporting the ETF industry that we have a relationship with, every single one of them, is working on trying to solve for the ability of an asset manager to convert a traditional 40 act open-end fund (through) a direct conversion to an exchange traded fund," he said. "It has not been solved but they're getting closer."

He says that the approval of nontransparent active ETF structures has been a wake-up call for active managers who have not been tracking what the NYSE and others have been doing in the space.

Many active fund managers have long shied away from the fully transparent ETF structure, not wanting to give away their "secret sauce" by revealing real-time portfolio positions. Many asset managers would not consider converting a mutual fund to an ETF for that reason. But the new ETF structures, which, to varying degrees, don't require disclosing underlying positions or weightings, takes that argument for the traditional mutual fund off the table.

Should a pathway for conversions be cleared, many managers will have a hard time justifying a reason to keep a mutual fund version of the strategy in place. Regulators and advisors operating under a fiduciary mandate will push the move toward ETF adoption.

Yones says the growth in ETFs could be tremendous, with an opportunity for two-thirds of actively managed funds—about $11 trillion in assets—to be converted to ETFs.

"Even if a third of that (converts) we basically double the size of the ETF market today. So, that's when we start to say, 'If this happens, how big could it be?' It could be big enough that we see a 100% growth rate of the ETF market as we know it."

(Assets invested in U.S.-listed ETFs and ETPs reached a record $4.42 trillion at the end of 2019, according to data by ETFGI.)

The prize for converting is large for asset managers who have been playing defense as newer ETF entrants attract new money coming into the market; a conversion pathway would allow them to port over the fund's assets, track record and performance.

"Gatekeepers will often ask for a three- or five-year track record for an active manager before they're willing to consider allowing the ETF on the platform," Yones said. "So, you can imagine the appeal for an asset manager who has a traditional active fund that's been live for many years, has great performance, and large assets under management. If they could do a direct conversion and keep their inception date, keep their investment performance, their history, and their assets under management—they would come to market with an already successful ETF. That would remove many of the hurdles that a lot of new products face as they come to market in terms of growth and getting to size, getting to scale, and having the track record needed to make it onto the platforms."

Jim Atkinson, CEO of Guinness Atkinson Asset Management in Pasadena, Calif., said his firm is considering converting some

Illustration: Hiroshi Watanabe/Getty Images

Click for more ETFs SHARE this article

of its mutual funds to fully transparent active ETFs. His firm launched an active ETF last November, to establish a foothold in the ETF space. Atkinson said he's responding to the fact that investors prefer ETFs over open-end mutual funds.

"They prefer it because of tax benefits; they prefer it because of expenses; they prefer it because of transparency; they prefer it because they can buy intraday," he said. "It's a pretty compelling business case for ETFs over open-end funds, and investors have responded accordingly."

Atkinson said long term, looking out over a number of years, he expects the whole fund industry to eventually convert to ETFs.

"If we don't convert our open-end funds to ETFs, our clients will do it without us. I don't think that's a very difficult conclusion to come to. So it's a long-term plan. It's not going to happen overnight, but we are working on it."

Daniel McCabe, CEO of Precidian Investments, which licenses a non-transparent structure, said some asset managers have decided to simply clone some of their products and file for an ETF wrapper. But some of the distribution platforms have been reticent to see this.

"There are certain platforms that would rather not have asset managers clone existing mutual fund products, because then they have to make a determination: What do they offer on the platform? Or how do they offer similar vehicles on the same platform?"

The Securities and Exchange Commission's Regulation Best Interest will weigh heavily on that determination, McCabe said.

The Legal and Operational Hurdles

To be sure, there are several legal and operational issues to overcome.

In late 2010, Huntington Asset Advisors, now part of Catalyst Funds, filed with the SEC to convert one of its mutual funds into an active ETF. But the SEC rejected the request after two years of review, for unknown reasons.

The way it could be done is via a shell reorganization, meaning you would create a new fund and transfer all of the assets and liabilities of the mutual fund to the ETF, according to one lawyer working on the issue. The ETF would then get the mutual fund shares of the ETF, which the mutual fund would distribute to its shareholders.

The biggest operational issue is that you need a brokerage account to hold ETF shares, whereas mutual fund shares are typically held in an omnibus or platform account. And to convert a shareholder to a brokerage account, the manager would have to get affirmative consent. It could go the same way as when you go out to a vote of shareholders; some respond and some don't, the lawyer said. "If a shareholder doesn't respond, and they don't have an ETF brokerage account, what are you going to do? You're stuck."

How Will Larger Fund Companies Respond?

It may be harder for larger mutual funds players to overcome the hurdles, with more share classes and distribution channels, observers say. The more complex the business, the larger the operational problems.

"We actually have two share classes," Atkinson said. "So our case is pretty simple. We don't have a lot of distribution channels. But if you agree with me, that this is a better mousetrap and investors are voting with their feet, then notwithstanding the fact that it's going to be a big complex project, and a long-term project for a large fund complex, I think they will go down this path."

Dave Nadig, chief investment officer and director of research at ETF Trends and ETF Database, expects the mutual fund industry to take a more tactical approach. More niche players, rather than the big, broad funds that are well-known, will likely explore conversions.

"I don't think you would see a Gabelli or Growth Fund of America just whole hog say, 'Hey, we're just an ETF company now,'" he said. "I think it's going to be a specific fund here and there that they believe in, they believe in the track record, but doesn't necessarily have traction in the 401(k) plan market." ■

Looking long term, Atkinson expects the whole fund industry to eventually convert to ETFs.

MORE INVESTMENT:
http://wealthmanagement.com/investment

Click for more ETFs
SHARE this article

Inside Student-Run Investment Funds

REAL-WORLD EXPERIENCE MANAGING PORTFOLIOS PROVIDES A COMPETITIVE ADVANTAGE WHEN IT COMES TO SECURING FULL-TIME JOBS. BY JOHN KADOR

SMIFs by the Numbers

Number of SMIFS. . . . **581**

First Established. . . . **1946**

Value of Portfolios

Smallest. **$2,000**

Largest. . . . **$35.9 million**

Average. . . **$1.64 million**

Total . . . . **$739 million**

Source: Center for Investment Research

Matt Davis, a senior finance major at Bucknell University, watches the hands going up, one by one, until it's time for a vote. For the past hour, he's pitched his fellow students on the merits of adding shares of T-Mobile (TMUS) to the investment portfolio managed by a class of 24 senior finance and accounting students. Like many other schools, Bucknell, a private liberal arts university in Lewisburg, Pa., has a Student Managed Investment Fund (SMIF) where they create and manage real-world investment portfolios—and put real money at risk. The student managers, all finance seniors, are responsible for the active management of Bucknell's SMIF, a $2.5 million portfolio carved out of the Bucknell endowment.

There is nothing simulated nor pro forma about the presentation. Davis expects his investment thesis to be challenged—and it is. The students consider the equity stake from a variety of risk perspectives and filters. Davis recommended the fund shed its positions in Verizon and A&T in favor of T-Mobile. The students try to knock holes in his analysis. Davis holds his ground, armed with data points and graphs to support the thesis that T-Mobile is both undervalued and the carrier best positioned to roll out 5G technology.

Bucknell's SMIF, like others, is a highly selective, two-semester experiential course which exposes the most serious finance students to the analytical and practical challenges of running a small investment company. Most SMIFs organize fund managers into committees around sectors—consumer, financial, transportation, technology, etc. At Bucknell, students make all portfolio decisions. As long as the investments are within the guidelines, faculty advisors Frank Schreiner (who came to Bucknell after a 33-year career as an analyst at BlackRock) and finance professor Curtis Nichols execute the trades.

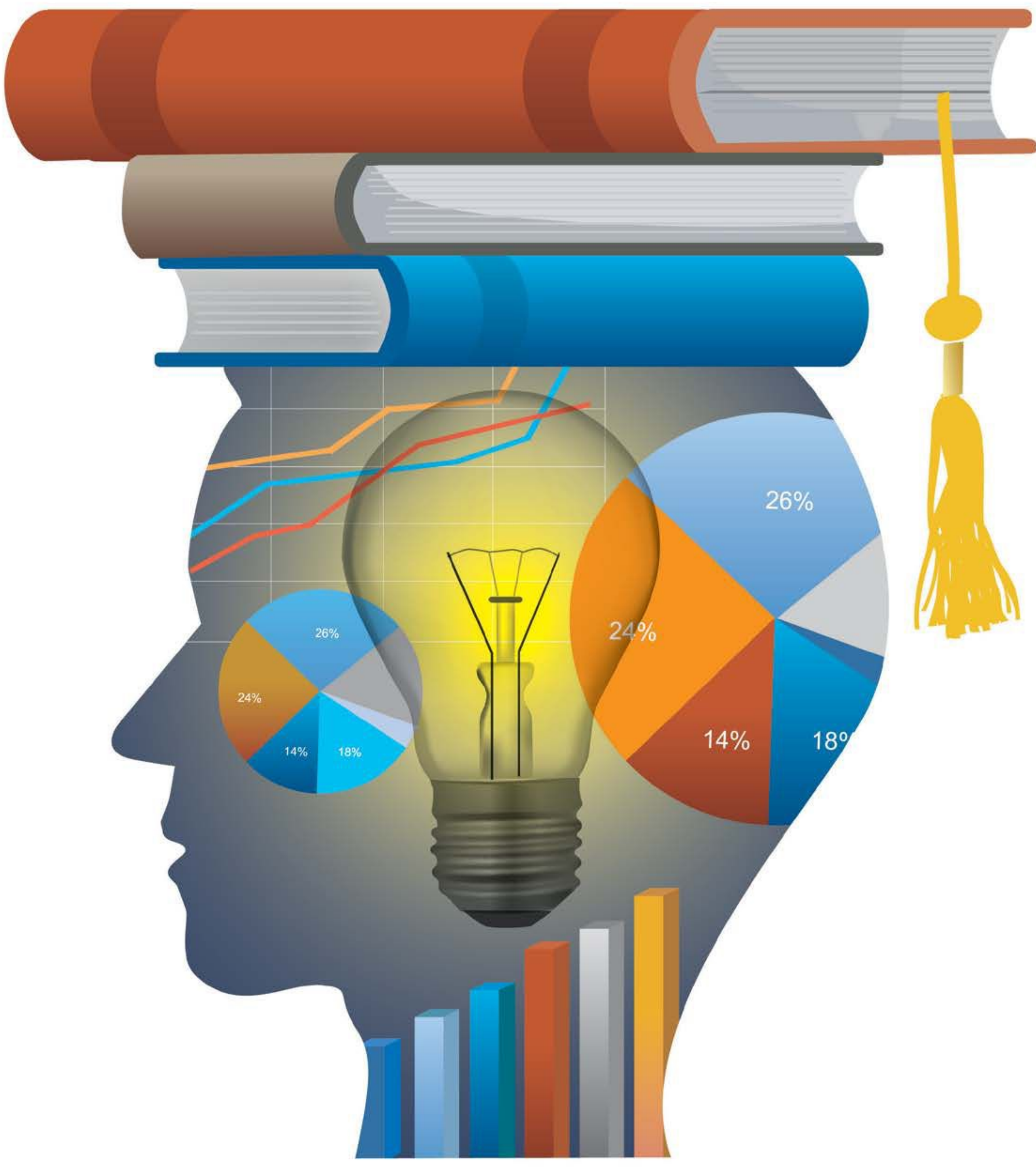
Real-World Opportunity

More than 500 U.S. colleges and universities have created SMIF programs. They all share two core features: First, the stakes are real; the programs put real dollars, sometimes tens of millions of dollars, at risk. Two, SMIFs are for-credit capstone courses offered to seniors and MBA students who have distinguished themselves in previous coursework. Student managers are selected through a rigorous application process, including a formal interview and a written research report. Managers act as security analysts and portfolio managers. Students learn to read analyst reports and use Bloomberg terminals to support their theses. Most SMIF programs supplement classroom work with field trips and internships with working market professionals.

SMIF programs do impose some limits. The SMIF at The University of Richmond, for example, invests about $740,000 between a growth fund and a value fund. The funds are in long positions only. Students may not invest in shorts, options, fixed

Illustration: jiris/Shutterstock

Click for more CAREERS SHARE this article


26%
24%
14%
18%
26%
24%
14%
18%

> "The hard skills are a lot easier to learn. The soft skills—a willingness to learn quickly, to know when to defend a pitch and when to back off, the ability to extrapolate and make insights—those often predict the best outcomes."

income or derivatives. The program is organized as a student club, which reports to an advisory board. Student managers can pitch stocks, but they must get a majority vote of the other managers to be added to the portfolio.

SMIF participants find easier paths to high-paying jobs in the finance sector. Claire Griffiths, general manager/president of the University of Richmond SMIF, is a business administration manager with concentrations in finance, economics and international business. After she graduates in May, she will join Barclays Investment Bank on the sales and trading side. The skills she developed working the SMIF process—team leadership, quickly analyzing a company, constructing a diversified portfolio and proficiency in Excel—helped her land the job.

Griffiths understands the benefits of passive investing but argues there's still a place for active stock pickers. "We've been in the longest bull market in the history of the U.S.," she notes, adding that the students learn that during bull markets, passive management looks especially good. "It's in the inevitable down market when active stock management perhaps helps clients lose less," Griffiths says. "With the collective insights of 18 well-trained finance students, we believe that active management can result in positive alpha."

Attribution Models and Alphas

SMIF students practice pitching stocks, running attribution models and presenting their arguments. Adjusting the portfolio over time requires constant diligence, says faculty advisor Professor John Earl. "The students tend to do a better job of buying than selling," he notes, echoing a refrain heard from other SMIF organizers.

According to Griffiths, the students who succeed at SMIF display a combination of hard and soft skills. "The hard skills are a lot easier to learn," she notes. "The soft skills—a willingness to learn quickly, to know when to defend a pitch and when to back off, the ability to extrapolate and make insights—those often predict the best outcomes."

As the stakes go up, so do the guardrails. At Michigan State University (MSU), finance students help manage a $6 million portfolio on behalf of the MSU Foundation. MSU students participate in the Student Investment Fund (SIF) program as members of the college's Security Analysis class.

Student managers make recommendations to the MSU Foundation to buy or sell securities, though the decision to pull the trigger on the recommendation are made by the faculty advisor. "The buck has to stop with someone," says professor Stephen Schiestel. "We wanted to get closer to the industry standard where the portfolio manager has the final say."

The policy also gives the MSU Foundation confidence that the Student Investment Fund (SIF) will be monitored during the summer months, when similar programs at other institutions tend to be under-managed.

Students at MSU focus on a small-cap value investment style, finding stocks selling at a discount to intrinsic value. The three-credit course is the only one in the finance department that students can take twice. Doing so provides some continuity from semester to semester. The students are graded primarily on two stock pitches they make. The first pitch—focusing on a stock already in the portfolio—advocates whether the position should be held, added to, trimmed or removed; the second pitch must involve a stock new to the portfolio.

Five Largest SMIFS in the U.S.

Institution	Name of Fund	Year Established	AUM
1. University of Minnesota	Carlson Fund	1997	$35,900,000
2. University of Dayton	Davis Center for Portfolio Management	1994	$30,500,000
3. University of Texas	MBA Investment Fund	1994	$29,500,000
4. University of Virginia	Darden Capital Management Club	1994	$16,300,000
5. University of Wisconsin	Madison Hawk Center for Investment Analysis	1970	$15,980,000

Source: Center for Investment Research

Click for more CAREERS   SHARE this article

SMIF Open to Accredited Investors

The MBA Investment Fund at the University of Texas at Austin is the only SMIF that allows students to manage, under the guidance of faculty members, investments not only on behalf of the university but also for accredited investors. Organized as a limited liability corporation, the MBA Investment Fund at the McCombs School of Business lets students work with fee-paying clients and oversees about $30 million.

The managers of the Fund are divided into industry sectors and collectively manage both a growth and value strategy. The Growth Fund pursues a top-down investment philosophy following an economic forecast generated by the fund economist—also a student.

Even with the rise of passive investing, professor Clemens Sialm believes the skills required for active portfolio management will continue to be valuable. "The general trend toward passive investing actually opens up opportunities for active investment because if everyone relied on passive investment styles, it would create significant opportunities for mispricing," he adds.

ESG and Social Good

Students at every SMIF are lobbying their institutions to add ESG funds to the mix. New York University's SMIF recently replaced one of its small-cap funds with an ESG fund to better reflect the interests of students passionate about the environment and other social causes. The Michael Price Student Investment Fund (MPSIF) is a family of funds, managed directly by MBA students at the NYU Stern School of Business, which was launched in 1999 through a gift from Michael Price, managing partner of MFP Investors. The Fund pays an annual 5% dividend to support students at The University of Oklahoma Price School of Business to attend summer classes at Stern. Since its inception in 2000, the Fund has distributed more than $1 million and has earned a cumulative return (after trading costs) of 5.2% per year, about the same as an equally weighted blend of its market benchmarks. The fund currently has assets of more than $2.2 million.

Other SMIFs are explicitly organized to perform social good. The SMIF at the University of North Dakota is organized as a 501(c)(3) charitable organization and began with $600,000 in seed capital donated by four alumni. Its bylaws require that each year the SMIF distribute 4% of the funds; 1.9% goes to the UND Foundation and 2.1% goes to reimburse expenses incurred by SMIF members. The University of Florida at Gainesville calls its $500,000 fund program "The Gator Student Investment Fund" and divides its members into two groups: Risk management and research, each of which is led by a chief investment officer. The Fund makes annual distributions equal to 3% to charity and 1% to the school.

Back at Bucknell University, An Phan, an accounting major from Hanoi, Vietnam, who will head to Deloitte as an audit analyst after graduation, is one of 23 students to raise her hand in favor of Matt Davis' proposal to add TMUS to the portfolio. "Matt successfully presented T-Mobile's competitive advantage having the lead in nationwide 5G and how its strategic merger with Sprint will combine both companies' products to create more appealing offerings for customers and put the new T-Mobile far ahead in the competition when 5G rolls out," she says.

The vote is unanimous. The administrative committee instructs the faculty advisors to make the trade. Matt Davis takes his seat to a round of applause from the class. Upon graduation he will begin his career as a private equity placement analyst at Mercury Capital Advisors. ■

Advice to Incoming Fund Analysts

The graduating managers of the University of Utah SMIF offered the following advice to upcoming managers. Practicing professionals will agree these tips work outside the classroom:

- Leverage the team;
- Learn time management;
- Practice due diligence;
- Understand the industry;
- Ask yourself what the market is missing;
- Take ownership of your companies;
- Voice your opinion; and
- Learn to accept feedback.

MORE INVESTMENT:
http://wealthmanagement.com/investment

Click for more CAREERS
SHARE this article

The Merit-Aid Arms Race at State Universities

THE AMOUNT OF MONEY STATE UNIVERSITIES ARE DEVOTING TO MERIT SCHOLARSHIPS FOR WELL-OFF APPLICANTS HAS EXPLODED SINCE 2001, A NEW STUDY SHOWS. BY LYNN O'SHAUGHNESSY

Photo: Andrew Lichtenstein/Getty Images

If your clients are looking for schools that will provide their teenagers with merit aid, a promising place to look is at public universities inside and outside their own state.

A new report from the New America Foundation documents that the nation's state universities are in a "merit-aid arms race" to attract affluent students wherever they might live.

The amount of money that state universities are devoting to merit scholarships for well-off applicants has exploded since 2001. Currently $2 out of every $5 these schools provide in aid went to upper-middle-income and wealthy students.

The report examined how 339 public universities spent their institutional aid dollars from 2001 to 2017. The colleges include nearly all of the public flagship universities, as well as the less prestigious public universities and regional colleges.

The Reason Behind the Merit-Aid Arms Race

Here are key reasons why state schools pump so much of their money into attracting affluent students:

1. High-income students are a source of needed revenue.
Even with scholarships, high-income students from out of state typically spend more on tuition that in-state residents who qualify for need-based financial aid. This is hugely important to public universities that have been grappling with declining financial support from state governments for years and especially after the recession nearly 13 years ago.

2. Schools want to impress U.S. News & World Report.
State universities want to inch up in U.S. News & World Report's rankings for bragging rights and also to attract more affluent students who pay attention to the rankings.

3. Some state universities don't have enough home-grown teenagers.
The biggest decline of college-bound teenagers is in the Northeast and the Midwest. Illinois, Ohio and Wisconsin are expected to experience especially sharp declines in the coming years. State universities are scrambling to find students anywhere they can.

4. Dispensing merit aid has become a vicious cycle.
Universities that are doling out merit aid have to compete with schools that up the ante and offer even fatter merit scholarships. To protect their own future applicant pools, these schools can feel forced to bump up their awards.

Click for more COLLEGE PLANNING SHARE this article

The Most Aggressive State Universities

In the chart below, you'll see the public universities that devoted the most money to merit scholarships between 2001 and 2017.

Exceptions to the Merit-Scholarship Arms Race

While many public universities are dispensing merit scholarships as an enrollment management strategy, a few notable holdouts exist. The report cited public universities in California, North Carolina, Texas and Washington as not playing the merit-aid game. Instead these state universities devote most of their dollars to need-based financial aid.

On the flip side, public universities in Alabama, Indiana, New Jersey, South Dakota and Tennessee have been heavily involved in offering merit scholarships.

The Future Trend in Merit Aid

There is little chance that the merit-aid bonanza playing out at state universities across the country will dry up, and, in fact, it may escalate. The report explains why here:

"The more public universities engage in these practices, the harder it gets for others to resist for fear of putting themselves at a competitive disadvantage. As a result, schools that provide generous amounts of non-need-based aid cannot rest easy. They have to keep ratcheting up their scholarships or discounts to try to stay ahead of their competition, creating an ever-expanding arms race."

There is a downside to the merit-aid giveaway. Universities that participate in this strategy tend to provide less financial assistance to students who truly need financial aid to attend and remain in college. At institutions that spend heavily on merit awards, low-income and working class students are more likely to take out loans and leave college with higher debt levels.

The report cited a couple of institutions that have reexamined their reliance on merit aid. The University of Pittsburgh and the University of Kentucky are now providing greater amounts of need-based aid to students.

Capturing Merit Scholarships

It's pretty easy to determine whether a student will qualify for a merit award at state universities because these scholarships are typically tied to grade point average, test scores and sometimes class rank. You can often find the requirements of scholarships on a state university's website.

What it takes to obtain a scholarship will vary significantly among schools. For instance, it's extremely difficult to get a decent scholarship at the University of Colorado at Boulder because the school is incredibly popular. On the other hand, the academic requirements to get a great merit scholarship at the University of Maine and the University of New Mexico aren't hard to reach.

School	State	Increase
University of Alabama	AL	$123,578,429
Temple University	PA	$75,186,447
Arizona State University	AZ	$69,389,877
Michigan State University	MI	$53,610,894
University of Arizona	AZ	$48,665,946
Rutgers University—New Brunswick	NJ	$48,074,783
Miami University	OH	$41,359,639
Wayne State University	MI	$39,462,408
Indiana University Blomington	IN	$39,174,947
The Ohio State University	OH	$38,906,716
Auburn University	AL	$37,023,775
University of Utah	UT	$34,971,124
University of Michigan	MI	$34,014,845
Purdue University	IN	$32,774,547
Ball State University	IN	$31,779,401
Florida International University	FL	$31,098,220

Who Won't Qualify

While the vast majority of state universities award merit scholarships to in-state students and nonresidents, it's rare for a public university to give institutional need-based aid to outsiders. So if a student needs a lot of financial assistance, applying to in-state public universities will typically make the most sense. ■

Lynn O'Shaughnessy is a nationally recognized higher-ed speaker, journalist and author of *The College Solution.* She writes about college for CBS MoneyWatch and her own blog, *TheCollegeSolution.com.*

Illustration: Cosmin Gusu/Shutterstock

Revisiting Mortgage Refinancing

CLIENTS HAVE A GOLDEN OPPORTUNITY TO SAVE MONEY AND/OR RAISE NEEDED CASH.

BY KEVIN MCKINLEY

Once you're done addressing the latest stock market volatility with your clients, you may want to bring up an instant and virtually guaranteed money-making idea that has been created by the current economic circumstances: refinancing their mortgages.

It's probably not as exciting as monitoring the gyrations of their portfolio, but there has likely never been a better time to do so, and there may never be as good of an opportunity again.

Why Now?

Start with the near-record-low interest rates. According to Freddie Mac, the current rate on the 30-year mortgage (3.36%) has only (and barely) been surpassed in late 2012 and early 2013. The 15-year rate has even dropped below 3%, down to 2.77%.

But due to high demand for housing in most markets, valuations have likely never been higher. The Federal Reserve Bank of St. Louis says the average sale price of a home in the U.S. in the fourth quarter of 2019 was $382,300, just a shade off of the all-time high of $399,700 in the fourth quarter of 2017.

A lower interest rate and surging home values certainly make lenders more friendly to would-be borrowers. And your clients' credit situation is likely to encourage the banks' enthusiasm—the average FICO score hit a record high of 703 in 2019.

Last but certainly not least, clients on the cusp of retirement may want to get a new mortgage now, while they still have a paycheck that can help get an approval for the loan. Once they're done working and have no regular earned income, it could be trickier to get the best rate on a traditional mortgage.

Estimating the Payoff

A lower interest rate will mean a lower monthly mortgage payment for your clients. But that's not the only factor they should consider when deciding whether to refinance.

They should also account for the closing costs that will be charged by the lender (and others). The expenses could include an appraisal, title fees, flood certification, plus points if the clients are "buying down" the interest

Click for more CLIENT RELATIONS SHARE this article

rate (a step that's probably not necessary in today's low-rate environment).

Once those costs are known, the clients can weigh them against the lower monthly payment to see if financing is worthwhile.

Let's say your clients owe $300,000 on a 4% mortgage that has 15 years left. They are looking to refinance the amount owed to a new 15-year mortgage at 2.75%.

Their current monthly payments are $2,219, and the payments on the new mortgage would be $2,036—a savings of $183 per month.

The website Value Penguin says that the average cost of refinancing a mortgage is currently $4,535. If that's what your clients would have to pay for a new mortgage, it would take about 25 months before the lower payment exceeded the refinancing cost.

That's fine if the clients plan on staying in the house for at least that long. But if they are thinking about selling the house, paying off the mortgage or possibly refinancing again in the near future, they may be better sticking with their current loan.

15- or 30-Year?

That tantalizingly low number for the 15-year mortgage should certainly tempt homeowners into taking the lower rate, shorter term (and higher minimum payment) that the 15-year loan offers.

But clients may want to instead get a 30-year loan and make the minimum payment that would have been required if they had taken out the 15-year mortgage.

They will still pay off the 30-year loan in about 15 years and nine months. But in the meantime, if interest rates rise, or the clients' circumstances necessitate it, the clients can reduce their monthly payment back down to the minimum required by their 30-year mortgage.

Just Refinance, or Get More Cash?

It's probably smarter (and more exciting) for clients to just refinance the amount currently owed on the mortgage.

But some borrowers may be better off asking for whatever extra cash they can get (before exceeding the 80% loan-to-value ratio, which could trigger the need for expensive private mortgage insurance).

The extra proceeds could (and should) be used to pay off higher-interest-rate debt or perhaps cover a planned home remodeling project.

If the clients are a little too spendy and self-aware of that fact, they may still be better off just refinancing enough to pay off the original loan and not letting the extra money run through their hands.

Better yet, calculate the difference between their old monthly mortgage payment and the new one, and channel that amount into savings, instead of spending.

On the Other Hand

Maybe paying off the current mortgage might be better than keeping the current debt, or taking on more. Especially if the clients can pay it off in full without tapping tax-sheltered retirement accounts and annuities, or selling assets that would trigger a capital gains tax.

Not having a mortgage payment every month means the clients' regular expenditures can be cut substantially, and if they were tapping their IRAs to cover those expenses, maybe their tax bill will go down as well.

Some clients might balk at paying off the mortgage by saying, "What about the tax break I'm getting on my mortgage interest?"

But homeowners can only deduct mortgage interest if they itemize, instead of taking the standard deduction. And since the standard deduction for 2020 is $24,800 for married couples filing jointly ($12,400 for single filers), many clients might not have enough itemizable deductions to beat the standard amount, even when they figure in their mortgage interest.

However, if they do decide to pay the mortgage off, have the clients establish a home equity line of credit (HELOC) for as much as the lender will allow. Then they can tap the HELOC without the application and appraisal hassle if they need some quick cash for the next personal or financial emergency. ■

It's probably smarter (and more exciting) for clients to just refinance the amount currently owed on their mortgage.

MORE WEALTH PLANNING:
http://wealthmanagement.com/wealth-planning

Kevin McKinley
is principal/owner of McKinley Money LLC, an independent registered investment advisor. He is also the author of *Make Your Kid a Millionaire* (Simon & Schuster).

Click for more CLIENT RELATIONS   SHARE this article

Medicare vs. Medicare Advantage

WHAT'S THE RIGHT CHOICE? BY MARK MILLER

When your clients sign up for Medicare, they are about to make one of the most consequential insurance decisions of their entire retirement—and they probably don't know it. And I'll bet you don't know it, either.

I refer to the choice between traditional fee-for-service Medicare and Medicare Advantage, the privately offered, managed-care alternative to the traditional program. This choice is consequential because choosing Advantage at this point can be effectively irreversible later in retirement. And I hope to convince you that it is the wrong choice.

Advantage has been gaining popularity in recent years—enrollment is expected to account for 47% of all Medicare beneficiaries in 2029, up from 34% this year, according to the Kaiser Family Foundation.

Some of this momentum is due to the attraction of lower premiums. Many Advantage plans offer prescription drug coverage for no additional premium, and no supplemental coverage is needed, since these plans come with built-in caps on out-of-pocket costs. Many Advantage plans also have additional no-cost gym memberships, and limited coverage of dental, vision and hearing care.

These selling points are reinforced in the barrage of industry advertising, and even in messaging from the Centers for Medicare and Medicaid Services, which administers Medicare and has taken on the informal role of Advantage cheerleader during the Trump era (which likely is a violation of federal law).

Traditional Medicare remains the best choice for your clients when you consider their health insurance needs over the course of a retirement likely to last many years. When combined with a supplemental plan and stand-alone Part D prescription drug plan, the traditional program does the best job of protecting your clients from high—and unpredictable—out-of-pocket costs, and it provides important flexibility in accessing health care.

Why Is the Decision Irrevocable?

Technically, it's possible to switch back and forth between traditional and Advantage annually, during the fall enrollment period. So, your clients might decide to initially go for Advantage, thinking that they can always change later if necessary.

However, the best—and perhaps only—time to buy a Medigap supplemental plan is during the six-month period after signing up for Part B.

During this time, Medigap plans cannot reject an applicant or charge a higher premium, because of preexisting conditions. After that window closes, applicants can be rejected or charged more, unless they are lucky enough to live in a state that provides additional guaranteed enrollment without medical underwriting. (Connecticut, Massachusetts and New York have continuous open enrollment, with guaranteed issue rights throughout the year, and Maine requires insurers to issue Medigap Plan A during an annual one-month open enrollment period.)

Supplemental coverage is a must for traditional Medicare enrollees. In 2016, out-of-pocket spending in the program averaged $3,166, excluding premiums, according to the Kaiser Family Foundation.

Supplemental coverage sometimes comes from a former employer, a union or Medicaid; for anyone else, the choice is a Medigap plan.

Let's say your client opts for Advantage initially and encounters a serious illness a few years later. At that point, the network limitations of Advantage—most are HMOs—could be a big issue if she wanted to use a physician or medical center that is out of network. But switching to traditional Medicare would be an option only during fall enrollment—and the preexisting condition would likely make a Medigap purchase impossible.

Smoothing Out-of-Pocket Expense

The upfront savings with Advantage can seem compelling. But in many respects, these plans func-

Photo: Joe Raedle/Getty Images

Click for more RETIREMENT PLANNING SHARE this article

tion like high-deductible insurance plans with a few extra benefits tossed in. Since 2011, all Advantage plans have been required to cap out-of-pocket expenses at $6,700, but most HMO or PPO plans have a somewhat lower ceiling—last year, it was $5,059 for in-network services, according to Kaiser.

Very little is known about the details of out-of-pocket spending in these plans, as the spending pattern data is far more opaque that it is in the traditional program.

Traditional Medicare plus Medigap provides lifetime predictability on out-of-pocket costs. For example, a Medigap D plan covers 100% of coinsurance for Part A (hospitalization) and Part B (outpatient services), including hospice care and skilled nursing facilities. It also covers Part A and Part B deductibles.

Part A out-of-pocket costs are especially worth considering. This year, a hospital stay comes with a $1,408 deductible for each "benefit period" and coinsurance charges kick in for stays longer than 60 days.

Medigap plans are not cheap—premiums average more than $2,000 a year. But if you think of this as a typical insurance investment aimed at smoothing risk, it makes sense—especially for clients with resources to handle the premiums comfortably.

Plan costs vary by type and region. Another variable is the type of "rating." There are three approaches used by insurers:

- Attained-age rated is based on current age; premiums may be the least expensive at first but will rise over time;
- Issue-age rated (sometimes called "entry-age rated") is based on the age when a policy is purchased. Premiums are lower for people who buy at younger ages and won't change due to age; and
- Community rated (also called "no-age rated") requires insurers to charge everyone the same rate no matter their age. This rating system is rarer, but it is very beneficial for buyers. Prices are higher up front but more stable over time.

Quality of Care a Provider Choice

Aside from costs, a range of questions about quality and access to care swirl around the Medicare Advantage program.

Since these are managed care programs, a key tradeoff is acceptance of network limitations. That can be problematic when a serious health problem occurs. And it can be difficult to determine if a specific health provider is in network or not. A review of provider directories by Medicare found that 49% contained at least one inaccuracy. Errors included incorrect locations and phone numbers, and whether a provider was accepting new patients.

What's more, networks can change even after your client enrolls in a plan.

The best-known example of this problem occurred in 2013 when UnitedHealthcare jettisoned approximately 2,250 providers and health care facilities from its Connecticut Medicare Advantage network, including Yale New Haven Hospital. (When provider switches occur during an enrollment year, patients now have some limited rights to switch plans if they choose to do so.)

On quality of care, the evidence is mixed.

Some research suggests that Advantage plans are outperforming traditional Medicare in areas like preventive care, hospital readmission rates, admissions to nursing homes and mortality rates.

But critics point to high levels of denial of care. Federal investigators reported in 2018 that Advantage plans had a pattern of inappropriately denying patient claims. The Office of Inspector General at the Department of Health and Human Services found "widespread and persistent problems related to denials of care and payment in Medicare Advantage" plans. And health care providers and enrollees often complain about jumping through all the usual managed care "prior authorization" hoops with plans.

My bottom line: There is a simple equation for maximum-strength health insurance coverage in retirement. It goes like this: traditional Medicare + Medigap + standalone Part D drug plan = gold standard Medicare.

Advise clients to stick with that equation—you won't regret it. ■

Traditional Medicare + Medigap + standalone Part D drug plan = gold standard Medicare.

MORE WEALTH PLANNING:
http://wealthmanagement.com/wealth-planning

Mark Miller is a journalist and author who writes about trends in retirement and aging. He is a columnist for *Reuters* and also contributes to Morningstar and the *AARP* magazine.

COVID-19 Could Be a Harsh Test for Advisors' Business Continuity Plans

AS THE CORONAVIRUS PANDEMIC SPREADS, ADVISORS' BUSINESS CONTINUITY PLANS MAY NEED TO INCLUDE MUCH MORE THAN VIDEO CHATS AND SLACK CHANNELS. **BY DIANA BRITTON**

In 2016, the Securities and Exchange Commission proposed a rule that would require investment advisors to put business continuity and transition plans in place. But the rule was never finalized.

So there's no clear guidance on what a business continuity plan for an investment advisory firm needs to include, the contingencies it needs to cover or the level it needs to go to when detailing how the plan is put into motion.

Nonetheless, the vast majority of RIAs do have some kind of plan, even if not comprehensively documented, largely because regulators expect it as a part of the firm's fiduciary duty, compliance consultants say.

Faced with a global pandemic, advisors may now find an opportunity to stress test those plans and see how they hold up in real-life situations.

Sander Ressler, managing director of Essential Edge Compliance Outsourcing Services, who performs a lot of internal audits for advisory firms, says most business continuity plans are sparsely written, often pulled off the Internet and rarely customized to the specific firm's needs. Many of them, he says, would not be truly practical in a pandemic.

"I think it has been almost exclusively a perfunctory act to put those plans together without any expectation that there would actually be a need for it," he said. "The chickens are coming home to roost."

In fact, the majority of the plans developed in the past 20 years are almost exclusively weather-related, Ressler said.

If anything, the recent crisis may prompt advisors to see the need to segment continuity plans for different types of catastrophic events, Ressler said.

Karen Barr, president and CEO of the Investment Adviser Association, said advisors in her organization have tested their continuity plans in real time—but not with this particular kind of emergency.

"One of the challenges here is … the lack of clear guidance, and the time horizon is very uncertain," she said. With a flood, severe storm or hurricane—the typical disruptions that govern most continuity plans—there is the event, and then the recovery. "This is an ongoing, evolving situation, which creates more uncertainty than those other kinds of business disruptions."

GJ King, president of RIA in a Box, a compliance firm, said that coronavirus is causing a convergence of many risks at once, which can be difficult for businesses—particularly RIAs—to withstand.

"You have financial market volatility; you have legitimate safety concerns for employees," he said. "Third, you have a bunch of change, a bunch of people, perhaps, working from home for the first time, so you're very, very vulnerable from a cybersecurity standpoint. It's kind of the perfect storm for bad things to happen if firms really aren't prepared and being thoughtful about this."

What Should Advisors Be Doing?

Right now, King says RIAs should be, as much as possible, imagining the variety of scenarios that could play out in the weeks and months ahead. Most firms have not tested their continuity plans for a multimonth scenario.

The most significant near-term threat for advisors, he says, is a loss of access to physical office facilities, and they should be prepared for their employees to work from home.

Many businesses will point to communications tools like video chat or Slack channels as preparation for a work-from-home requirement.

But teleworking for an RIA goes beyond just communications; it needs to include an ability to make transactions, access client accounts, wire funds or even just produce performance reports from a remote location. Even considering how incoming calls can be re-routed to a remote office location needs to be considered.

Photo: John Keeble /Getty Images

Click for more BUSINESS PLANNING SHARE this article

Fortunately, a lot of the technology that advisors use to conduct their business is increasingly cloud-based, Brian Hamburger, founder and CEO of MarketCounsel said, which should make teleworking easier. But not all advisors have moved their workflows or day-to-day business processes to those platforms, especially larger firms with multiple employee steps in their procedures.

Firms in the Midwest and Northeast are a little better prepared for business continuity issues because they've experienced them in bad weather conditions. The most vulnerable firms tend to be in the Southern part of the country, where they're typically not used to the storms that can shut down travel to the office.

MarketCounsel says RIAs can do a better job training their employees on what to do in case facilities or personnel become unavailable. Employees should know how to access critical systems remotely and how to conduct themselves in a state of emergency. Firms should also review and update their communication plan to address how employees will be notified of events that may prompt continuity procedures and how to keep communication going through the disruption.

Vincent Rossi, president and chief investment officer of Intelligent Capitalworks, an RIA in Scottsdale, Ariz., said he spends a "not insignificant" amount of money to run a fully redundant system, including a second office site. And although the second site may not help with this situation if he and his staff are not able to access it, all of his firm's telecommunications systems can be accessed from anywhere, and his employees' laptops are run through properly configured firewalls to make working from home feasible.

"People don't, perhaps, realize just how expensive this is and how much work it is; it's like buying insurance and you keep paying the premiums," he said. "On the outside chance you need them, you'll be glad you paid them."

A Loss of Key Personnel

But RIA in a Box's King says RIAs should prepare for other scenarios, beyond loss of facilities.

"If people are just working from home, that's just one challenge," King said. "If people are working from home, but now all of a sudden schools are closed, a good chunk of your workforce is really unable to work because they're now caring for children. What happens then?"

Advisors should also prepare for the potential loss of key personnel in the event that someone in the firm comes down with COVID-19, Hamburger said, or has to care for someone who has, or, at the most extreme case, passes away. The issue with many small- to midsize advisory firms is often an individual's job duties have grown with the firm, and colleagues don't always know exactly how each employee gets their individual tasks accomplished.

If only one person knows how to enter payroll, for instance, employees won't get paid.

"The most critical thing there is ensuring that all of the policies and procedures are documented, so that in the event that there is someone who becomes unavailable, even briefly, that their responsibilities can be covered by someone else on the team," he said.

This is where cross-training on critical functions becomes important, said Conor Anderson, partner and head of advisor services for AdvisorAssist.

"If the firm has a sole person responsible for client engagements and that person is under the weather for a certain period of time, someone else has to step in those shoes, be able to address client asks or needs, and meet with the clients that need it," Anderson said.

Business continuity plans are also supposed to address succession issues, and most plans that he has seen don't go into that level of detail, Anderson said. While it may be difficult to think about and an unlikely scenario even as the virus spreads, principals at RIA firms should consider the implications of incapacity or death.

"The one- or two-person firm, if one becomes incapacitated permanently or happens to pass away, what's the succession plan?" Anderson said. ■

"People don't, perhaps, realize just how expensive this is and how much work it is; it's like buying insurance and you keep paying the premiums."

The Early Lessons of Coronavirus and Wealth Protection

PIVOT TO TAX REDUCTION AND COST SAVINGS. IT'S THE ONE THING IN YOUR CONTROL. **BY BRADLEY BARROS**

Most of us have little understanding how the coronavirus will impact our financial lives (let alone our actual lives and those of our families and friends). How far will the market drop? When will it recover? How many jobs will be furloughed or lost? Which industries will suffer significant and long-lasting downturns? What permanent changes will be embedded within the global and local landscape? Will people stop going to public or even private events or restaurants? What of the airline, cruise and hotel industries? How long will it take for our economy to recover, and in a time of trillions of dollars of debt, where and how will the U.S. government get the necessary capital to operate, let alone meet its existing debt obligations without initiating inflationary measures? These are just a tiny fraction of the questions permeating the minds of wealth distributors on Wall Street.

We just don't know what we don't know.

It is precisely because we cannot predict what will happen that financial advisors need to focus on protecting their clients' wealth. While market risk in the time of coronavirus is unknown and traditional financial modeling is being tossed out the window, there is one thing that clients with means can do in 2020; reduce taxes on their wealth and taxable income and bank their savings in tax protected structures or through tax-efficient strategies.

Cost savings, including tax reduction, is one of the few common-sense solutions that nearly every wealth holder can, and should, put into action today.

There are many views on what types of planning work best. While some advocate for maximizing qualified plans and IRAs, others are concerned that these are the first and easiest assets for the government to confiscate if it needs additional tax revenue. Clients with more meaningful levels of income and affluence may look toward advanced life insurance planning, including private placement life insurance, and shifting their current ownership and operating structures to those that are notably more tax efficient.

Whatever the methodology, what's most important for advisors is to find the appropriate path for each client and take action. Clients need advisors who can lead them through these troubled times.

I have a family member who is in his 80s with a mid-eight-figure net worth. One would think that his advisory team, ensconced in the New York offices of a global wealth management firm, would reach out to him personally with thoughtful advice. Instead, he received a mass-marketed email advising clients that they should "not be overly-concerned."

Envision my relative, staring at his computer screen wondering where the leadership was in this time of crisis. And if wealth holders with tens of millions of dollars in brokerage accounts get this level of advice from their high-dollar advisors, envision what the average investor in America is experiencing.

In this crisis, as with those that have come before and those that have yet to come, advisors who evidence strong leadership and help their clients take action to protect their wealth are the leaders who are most needed. Seize the day and help your clients while you can. Reach out to them proactively with fresh ideas that can make a difference regardless of market conditions. As with life's other lessons, you don't want to learn this one the hard way. ■

Brad Barros is president and CEO of Private Risk Capital Development Advisors LLC.

Illustration: Artit Aungpraphapornchai/iStock/Getty Images

Click for more HIGH NET WORTH SHARE this article

Free To Qualified Subscribers

Visit: WealthManagement.com/Subscribe

Estate Planning During the Coronavirus Pandemic

GLOBAL CHAOS CAN STILL POTENTIALLY BENEFIT CLIENTS. **BY DAVID H. LENOK**

As the coronavirus pandemic progresses and markets continue to seesaw wildly, clients will continue to become more and more uncomfortable and unpredictable.

Most advisors are trotting out the well-worn adage of "stay the course." And, while this advice is as solid as it ever was, and the lessons of 2008 are still fresh in many clients' minds, the threat of the disease has added an edge that finds some yearning for action.

Normally the fear of dying works against trust

Illustration: Barks_japan/iStock/Getty Images

Click for more ESTATE PLANNING SHARE this article

and estate professionals. Facing mortality and the difficult conversations that come with it are obstacles that must be overcome in order to even begin building a coherent plan. However, in this case, coronavirus presents a more imminent threat—one that can't be swept under the rug, so clients may be more amenable to taking action than they normally would.

"It's a distinguishing feature," said Suzanne Shier, chief tax strategist and tax counsel at Northern Trust Wealth Management. "People care about their wellbeing, that of their families and their communities. This is a correction, yes, but it has at its core a virus that affects people's true well-being, not just financial. And I think that's a different level of care or concern."

Advisors should take advantage of this threat, with fear working in their favor for once, to ensure that clients have at least the bare bones of a plan in place—wills, powers of attorney, beneficiary designations and health care proxies. These are necessary documents, so professionals shouldn't feel conflicted about "buying land when there's blood on the streets." You aren't selling them anything, just expediting a process they eventually planned to get to anyway (even though many don't).

But what about clients with plans in place? Is there anything they can do to try and either protect themselves or even benefit from the chaos? Absolutely. There are many vehicles that simply aren't as effective when interest rates and valuations are high, so there are a plethora of available techniques in a planner's toolbox that have, suddenly, become more attractive as these numbers dip.

"We don't market time, but if there are dips in the market, we're prepared to capitalize," Shier said.

Northern Trust, for example, is recommending the following points of focus to clients:

Make an annual gift exclusion. Clients can make an annual tax-free gift of about $15,000 (indexed for inflation) that does not count against their lifetime gift tax exclusion. Using marketable securities as the gifted asset when volatility is so high and valuations are down can offer some extra mileage on gifts made now as valuations recover in the future.

Make Roth IRA rollovers. Because the "cost" of converting a traditional IRA into a Roth is paying taxes now on the current value of the IRA, it's best to make these conversions when the market is down. Doing this will also insulate a client from future tax redistribution, assuming tax rates going forward will be the same or higher.

Place assets into existing trusts or fund a new one. Similar to the annual gift, funding a trust with securities while valuations are low allows for more assets to be placed in the trust (when measured against the lifetime exclusion).

GRATS. The timing is perfect—two things increase the effectiveness of GRATs: one is low interest rates and the other is lower market values. We are currently experiencing both. For clients whose existing GRAT terms are coming to an end, it's probably beneficial to keep them going. Clients without GRATs should strongly consider funding them.

Be mindful of tax-loss harvesting. Locking in a sale of securities at a loss today to reap the future tax benefits is a good way to find the silver lining in a market downturn. However, stay aware of wash sale rules and tax liabilities. Don't purchase anything substantially identical within 30 days before or after the sale at a loss or all will be for naught. Though clients may have separate accounts with different advisors, the rule considers them all to be the same, so it's important to ensure that all advisors are on the same page in terms of what they're buying and selling, so they don't mess this technique up inadvertently.

"Many of our clients have experienced major disruptions in the past and have a heightened level of awareness," Shier said. "They don't want to do anything quickly but are still thinking logically. Many are actually looking for these opportunities."

Locking in a sale of securities at a loss today to reap the future tax benefits is a good way to find the silver lining in a market downturn.

How Are Advisors Staying Sane During the COVID-19 Pandemic?

THESE ARE STRESSFUL TIMES FOR CLIENTS BUT ALSO FOR ADVISORS. HOW DO THEY COPE? **BY ASIA MARTIN**

The coronavirus pandemic seems to be getting worse by the day. Schools, restaurants and businesses have closed, conferences have been canceled and some cities and towns have proposed curfews to enforce President Trump's call for social distancing. The economic fallout will likely be brutal.

It's a lot to take in, and clients expect financial advisors to be out front of what it all means and to ease their anxieties.

But who is easing advisors' anxieties? For many, this is an unprecedented situation, and the speed with which the world changed can bring stress, tension and exhaustion. How are advisors maintaining their own sanity, and taking care of themselves, even as they care for clients?

"Everything is so fluid right now, every day is something new and changing," said Lisa Kirchenbauer, founder and president of Omega Wealth Management in Arlington, Va.

Kirchenbauer said she finds balance in exercise and walks outdoors, as well as meditation.

"Being able to still yourself, to be centered, to not be overreactive," was the benefit of the mindfulness exercises, she said.

Many advisors, particularly younger ones working in solo practices, can be more susceptible to stress, given the isolation of their practices to begin with. Many are staying sane by simply turning to other advisors to commiserate.

"My wife, family and friends are a great support system, but it's impossible for them to know what it feels like to be in our shoes, especially during times like this," said Taylor Schulte, founder of Define Financial in San Diego, who created the online Advisor Growth Community with Justin Castelli last year—a kind of online study group for advisors.

"It's not just remote advisors or single-advisor firms that can feel isolated," he said. "The AGC has members at large, publicly-traded brokerage firms who feel like they are on an island. Yes, there are other advisors around them, but those advisors don't always share an abundance mindset or have a desire to collaborate."

Northfield, Ohio-based advisor and founder of Gateway Financial Todd Pouliot just recently worked 18 days straight to get ahead of his clients' concerns. The only break came when his parents visited, giving him one weekend to reenergize.

During those two and a half weeks, he made a quick video addressing his firm's business continuity plans, as well as those of the custodians—SEI and Betterment—both for his clients' benefit and for his own.

"I want (clients) to know we're set and ready for them," he said. "Right now is not the time to be scared. You have to be confident and prudent for the people who need your help. Now's your time to shine."

School closures too bring unique challenges. Kashif Ahmed, president and founder of American Private Wealth in Boston, and his wife have created a schedule for their three children, ages 16, 13 and 8. They weave chores and outdoor activities into their children's class schedule. "This is not a vacation," said Ahmed.

In Raleigh, N.C., advisor Mike Molitoris has also been coordinating child-friendly activities with his wife, who is also his administrative support person, for their children. While Molitoris handles client requests, his wife is creating scavenger hunts for the kids.

Sometimes the parents help out with school assignments or separate the kids for one-on-one time with Mom or Dad. Once the children go down for the day, Molitoris and his wife spend the rest of the night pushing through paperwork like updated forms.

Even with a full house, Molitoris uses social media and digital tools to find solace with other advisors.

"The FinTwit community has been really cool," he said. "I feel like even though I worked in an office in 2008, it wasn't the same thing. I felt like we all had our own thing going. With FinTwit, I've been able to talk to folks all over, and if I have questions, I'm able to reach out to people and get different viewpoints.

"Sometimes, I don't want to be in a vacuum, I want to hear different viewpoints and the arguments people are making," he said. ■

Photo: CHANDAN KHANNA/AFP/Getty Images

SHARE this article

Advisors Help Clients Remain Calm in Market Rout

MANY ADVISORS HAVE LIVED THROUGH BEAR MARKET TURMOIL BEFORE. THEY SAY THEIR ROLE NOW IS TO KEEP CLIENTS FROM PANICKING, AND IN MANY CASES HELP THOSE WITH LONGER TIME HORIZONS RECOGNIZE OPPORTUNITY IN THE CHAOS.

Photo: BRYAN R. SMITH /EFP/Getty Images

Financial advisors across the country are reacting to the growing coronavirus pandemic and the market fallout.

Many say the best role they can play for their clients now is to keep them from panicking and help them understand the broader market dynamics while keeping their long-term financial plans intact—and in some cases, helping them recognize that market dips are a good time to put money to work.

That doesn't mean they aren't making some adjustments to clients' portfolios: Many say they already moved to more conservative allocations toward the end of the fourth quarter, as the stock market was rallying toward all-time highs.

But most planners are not making bold moves and, instead, are focusing on helping their clients not panic.

"What I've found in 20 years as an advisor is that it helps if you can fill the void. Provide information where you can. You can connect with clients even while social distancing; in fact it may be more important now. I'm doing this through emails and blog posts," said Michelle Fait, a financial planner at Satori Financial in Seattle.

"I'm working to give clients context for what's going on, using my economics and finance background to help translate what they are seeing in the news to what it might mean for them, and for us, and acknowledging that were all human and doing our best to cope," she said.

"As frustrating as it may be to hear the advice 'Don't just do something, stand there,' this is what I suggest now regarding your investments," Fait recently wrote in a note to clients. "The recent declines in the financial markets are based partly on fundamentals, and partly on fear."

Fait told clients she would take advantage of a prolonged bear market to rebalance their portfolios and look for opportunities to invest new money.

Fait is helping clients with tax-loss harvesting, she said, and there are good opportunities for making Roth IRA conversions on assets with diminished value where taxes owed on conversion might be lower.

"All of these provide advantages for investors in the future, though none make it any easier to watch the news in current time," she said.

For clients who are actively using their investment portfolio for income, Jay Spector, a partner with Barton Spector Wealth Strategies in Scottsdale, Ariz., said his firm was taking the opportunity to help them confirm their retirement income needs and budgets, and adjust accordingly.

"Yes, clients are worried," he said. "However, we design portfolios for clients that let them live off their portfolios and not on their portfolios. That's an important distinction. Our clients can weather this market storm."

For clients in the accumulation phase of their plan, he said, "this can be a good time to opportunistically invest in high-quality names for growth and income."

Sean Williams, an advisor with Sojourn Wealth Advisory outside of Baltimore, said they are advising some clients to postpone withdrawals for income when they can, or be very selective about where they pull income from.

"For clients with a longer horizon who have additional savings beyond an emergency reserve, we're considering this a time to buy," he said. "It may not be the lowest point, but it could be an attractive point overall."

Catherine Valega, a longtime financial advisor who just started her own registered investment advisory firm, Green Bee Advisory, in Boston in November, said she was advising clients who are still in the workforce to up their 401(k) contributions to the maximum amount possible.

"Once we get through this, and we will, there will be plenty of pent-up demand waiting to be released and get to work," she said.

"Typical questions I'm getting are, 'What is going on?' and 'When is it going to stop?'," said Thomas Rindahl, a wealth manager with TruWest Wealth Management Services in Scottsdale. "But my favorite question so far is 'I have some cash. What can I buy?' I love the opportunistic attitude." ■

SHARE this article

Steps to Help Advisors Ride Out the Volatility of the Pandemic

CLIENTS ARE ANXIOUS AND ANGRY; DON'T TAKE IT PERSONALLY. BE A CALM AND REASSURING VOICE. **BY AMY FLORIAN**

If you pardon the pun, fears of the coronavirus (COVID-19) have gone viral. As a result, the markets are volatile, and clients are angry, disillusioned or just plain frightened. Everyone feels confused and somewhat helpless, and the economic future is uncertain. In this milieu, it can be difficult to avoid taking your clients' anger personally. How do you ride out this craziness without losing your mind?

First, it is important to understand that grief is triggered whenever there is a break in an attachment, and clients tend to be very attached to their money. For many, it is their means of security or a symbol of their success. When they perceive that money is slipping away from them in a way that is out of their control, they grieve.

Likewise, your clients value their health and well-being. No one wants to think that they or their loved ones could contract an illness that has no cure and can, in some cases, rapidly cause death. Again, as they face the spread of this virus, they grieve.

You already know the importance of proactively reaching out to clients to help calm their jitters. In that effort, you need to remember that client anger is a normal grief reaction. So, although you are likely to get an earful when you call, remind yourself not to take their anger personally. They are angrier and more frightened at the situation than they are at you. Be a trusted and safe ear so clients can yell and mourn their losses. Share their anger and grief, and tell them you're hearing that a lot.

Then when their anger and fear is spent, remind them that you've been telling them to expect major market corrections, that this is normal, and that this volatility is exactly why you've worked so hard to position their portfolio for the long term. Make sure they know you are on their team, and talk about the ways you've protected them so far. Talk about what you can continue to do together to make the future as bright as possible.

There is one other piece of this picture to consider. What about yourself? Here are four valuable self-care tips:

1. **Take care of yourself.** Dealing with emotional clients is exhausting, and you need to replenish your reserves. Make appointments with yourself to do things you enjoy—go for a walk, listen to music, etc. Give your mind a break and indulge in some fun.
2. **When frustration builds, find non-destructive ways** to express emotions. Physical exercise is a great stress reliever, so stick to your usual exercise routines. Then during the day periodically stomp your feet on the floor as hard and fast as you can for 10 seconds, or repeatedly throw a tennis ball against the wall. For quieter expressions, talk with a trusted friend or perhaps a group of colleagues, write in a journal or draw. Get any anger, fear and negativity out of your system so it doesn't eat at you from the inside.
3. **Consciously decide to smile throughout the day.** Several neurological studies have documented that physically smiling affects the brain. Smile when talking to an anxious client on the phone; your tone will immediately be much more calming. Smile as if you are truly happy. You'll find that if you do it often enough, you do in fact become happier.
4. **Make a list of everything and everyone for whom you are grateful.** Every evening, read the list and add something good that happened that day. Go to sleep knowing that market conditions are not the most important thing, nor the most permanent. Let your family, friends and the goodness of life sustain you through it.

These turbulent economic times are extremely challenging. There is plenty of grief to go around, and financial advisors certainly bear their share of it. Following these simple tips can help, all the while strengthening you to emerge refreshed on the other side. ■

Amy Florian is the CEO of Corgenius, combining neuroscience and psychology to train financial professions in how to build strong relationships with clients through all the losses and transitions of life.

Illustration: rudall30/iStock/Getty Images

Click for more CLIENT RELATIONS SHARE this article

ADVERTISING SALES OFFICES

605 Third Avenue, New York, NY 10158
212/204-4270

SALES MANAGER AND NEW ENGLAND
Kristina Niemi **312/840-8464**
kristina.niemi@informa.com

SOUTHWEST STATES, CALIFORNIA (A-L), NEW YORK (A-L), MISSOURI, OHIO
Marc Angel **212/204-4201**
marc.angel@informa.com

Sales Support: Samantha Szorentini **212/203-4672**
samantha.szorentini@informa.com

EAST COAST STATES, NEW YORK (M-Z), EXCEPT NEW ENGLAND
Kevin Reardon **212/204-4240**
kevin.reardon@informa.com

Sales Support: Nicole Mazzara **312/204-4257**
nicole.mazzara@informa.com

MIDWEST STATES
Marianne Rivera **312/840-8466**
marianne.rivera@informa.com

NORTHWEST STATES, CALIFORNIA (M-Z), CANADA
Beth Rubinoff **312/219-9768**
beth.rubinoff@informa.com

Sales Support: Kimberley Rogers **312/635-9141**
kimberley.rogers@informa.com

Other Resources

EDITORIAL OFFICES
605 Third Avenue, New York, NY 10158
212/204-4235; Fax: 913/514-6458
OFFICE HOURS 9:00 a.m. - 5:00 p.m. Eastern Time
WEB ADDRESS *www.wealthmanagement.com*

REPRINTS
Wright's Media **877/652-5295**
informa@wrightsmedia.com

Subscription Information

U.S. Toll Free: **866/505-7173**
International: **847/513-6022**
www.wealthmanagement.com

Moving? Your free subscription will not follow you unless you change your address on-line at *wealthmanagement.com/addresschange*. Allow up to six weeks for delivery.

Informa makes portions of our magazine subscriber lists available to carefully screened companies that offer products and services directly related to the industries we cover. Any subscriber who does not want to receive mailings from third-party companies should contact the Informa subscriber service department at:

866/505-7173 (U.S. Toll Free)
847/513-6022 (International)

BACK ISSUES

866/505-7173 (U.S. Toll Free)
847/513-6022 (International)

This index is a service to readers. Every effort is made to maintain accuracy but *WealthManagement*™ cannot assume responsibility for errors or omissions.

Photocopy Rights Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by Informa provided that the base fee of U.S. $2.25 per copy, plus U.S. $00.00 per page, is paid directly to Copyright Clearance Center (CCC), 222 Rosewood Drive, Danvers, MA 01923 USA. The fee code for use of this Transactional Reporting Service is ISSN 0193-1865/2001 $2.25 + $00.00. For those organizations that have been granted a photocopying license by CCC, a separate system of payment has been arranged. Prior to photocopying items for educational classroom use, please contact CCC at 978/750-8400. Organizations or individuals with large quantity photocopy or reprint requirements should call 913/341-1300. Photocopying charge is $10 per copy and magazines are $10 each. Microfilm copies of *WealthManagement*™ are available by calling/writing: Bell & Howell Information and Learning, 300 N. Zeeb Road, P.O. Box 1346, Ann Arbor, MI 48106-1346; 313/761-4700, 800/521-0600.

ADVERTISER	WEBSITE	PAGE NO.
American Bankers Association	www.aba.com	9
Brighthouse Financial	www.brighthousefinancial.com	11
E*Trade Advisor Services	www.etrade.com/advisorservices	18-19
Fidelity Investments	www.fidelity.com	3
Independent Financial Group	www.ifgsd.com	16
Schwab Charitable	www.schwabcharitable.org	C2-1
Securities America Financial Corporation	www.securitiesamerica.com	25
TD Ameritrade Institutional	www.tdainstitutional.com	C3
Thrivent Financial	www.thriventfunds.com	7
United Planners' Financial Services of America	www.unitedplanners.com	Cover Tip
Voya Financial	www.voya.com	C4
WealthManagement.com	www.wealthmanagement.com	41

The Puzzler

BY JOHN KADOR

Test Your Small Number Smarts

Numbers are your stock in trade, and you are, no doubt, an expert at manipulating big numbers. But do you remember the basic arithmetic of small numbers and the simple ways they relate to each other? Here's a sequence of puzzles to test your small-number smarts. Each puzzle is designed to be solved in about 30 seconds. We start with a warmup to see how observant you are, and then the puzzles are ordered from easiest to hardest. Get your timer ready. If you can complete eight of the puzzles in a total of five minutes or less, we know you paid attention in high school.

1. What's the next symbol in the series below?

1 ! 2 @ 3 # 4 $ 5 % 6 ^ 7 & 8 ______

A. (**B.** } **C.** \ **D.** *

---

2. What number comes next?

31, 28, 31, 30, 31, 30, 31, 31, 30, 31, 30, ______

A. 28 **C.** 30
B. 29 **D.** 31

---

3. What's the next number in the sequence?

7, 4, 1, 8, 5, ______

A. 2 **B.** 3 **C.** 6 **D.** 9

4. What number goes in the blank space to complete the series?

65, 57, 50, 44, 39, ___, 32, 30, 29

A. 36 **C.** 31
B. 35 **D.** 30

---

5. Can you fill in the blank with the number that makes the equations consistent?

2 + 3 = 10
5 + 7 = 60
6 + 5 = 66
3 + 4 = 21
9 + 4 = ______

A. 43 **C.** 91
B. 70 **D.** 117

---

6. What number goes in the slice with the question mark?

A. 3 **B.** 6 **C.** 8 **D.** 16

7. Do the math: the number of the most common IRS tax form minus the number of winks said to be in a nap plus the number associated with a Heinz popular sauce:

A. 800 **C.** 1,001
B. 965 **D.** 1,057

---

8. The number of the labors of Hercules plus the number of days in the week according to The Beatles minus the number of planets in the solar system:

A. 9 **B.** 11 **C.** 12 **D.** 16

---

9. The number associated with a popular tax-advantaged saving plan to pay for college plus the maximum long-term capital gains tax rate:

A. 426 **C.** 561
B. 549 **D.** 600

---

10. The number associated with the most popular tax-deferred real estate exchange minus the number of deadly sins divided by the age that Paul McCartney imagined himself being:

A. 16 **C.** 49
B. 32 **D.** 58

11. Number of companies in the Dow Jones Industrial Average plus the number of lives a cat is said to have divided by a baker's dozen:

A. 3 **C.** 18
B. 5 **D.** 32

---

12. Number of the IRS form used to report income that isn't salary, wages or tips minus top theoretical FICO credit score divided by the number of rings in a world-class circus:

A. 80 **C.** 249
B. 83 **D.** 613

---

13. A picture is said to be worth this number of words divided by the number of shades of gray in a recent novel plus the number of gunslingers in a movie starring Yul Brynner:

A. 17 **C.** 37
B. 27 **D.** 47

ANSWERS: 1-D, 2-D, 3-A, 4-B, 5-D, 6-B, 7-D, 8-C, 9-B, 10-A, 11-A, 12-B, 13-B.

SHARE this article

CLIENTS

QUOTAS

Change your perspective.

TD Ameritrade Institutional, Division of TD Ameritrade, Inc. member FINRA/SIPC. TD is a trademark jointly owned by TD Ameritrade IP Company, Inc. and the Toronto-Dominion Bank. © 2019 TD Ameritrade.

Connected for growth

Helping clients along their financial journey is the most important part of your job. And that's where your focus should be. So we're giving you everything you need to get and stay connected—all from a wealth management firm supported by a Fortune 500 company that is committed to doing the right thing, the right way.

- Experienced team
- Close-knit family culture
- Mobile solutions that let you do business wherever it takes you
- Nationally recognized brand
- Voya Cares® program, supporting the special needs community consisting of 1 in 4 Americans[1]

See how we can help you grow at VoyaFA.com.

VOYA FINANCIAL ADVISORS

Securities and investment advisory services offered through Voya Financial Advisors, Inc. (Member SIPC)
©2020 Voya Services Company. All rights reserved. CN769849_0421

1 *Prevalence of Disabilities and Health Care Access by Disability Status and Type Among Adults – United States, 2016*