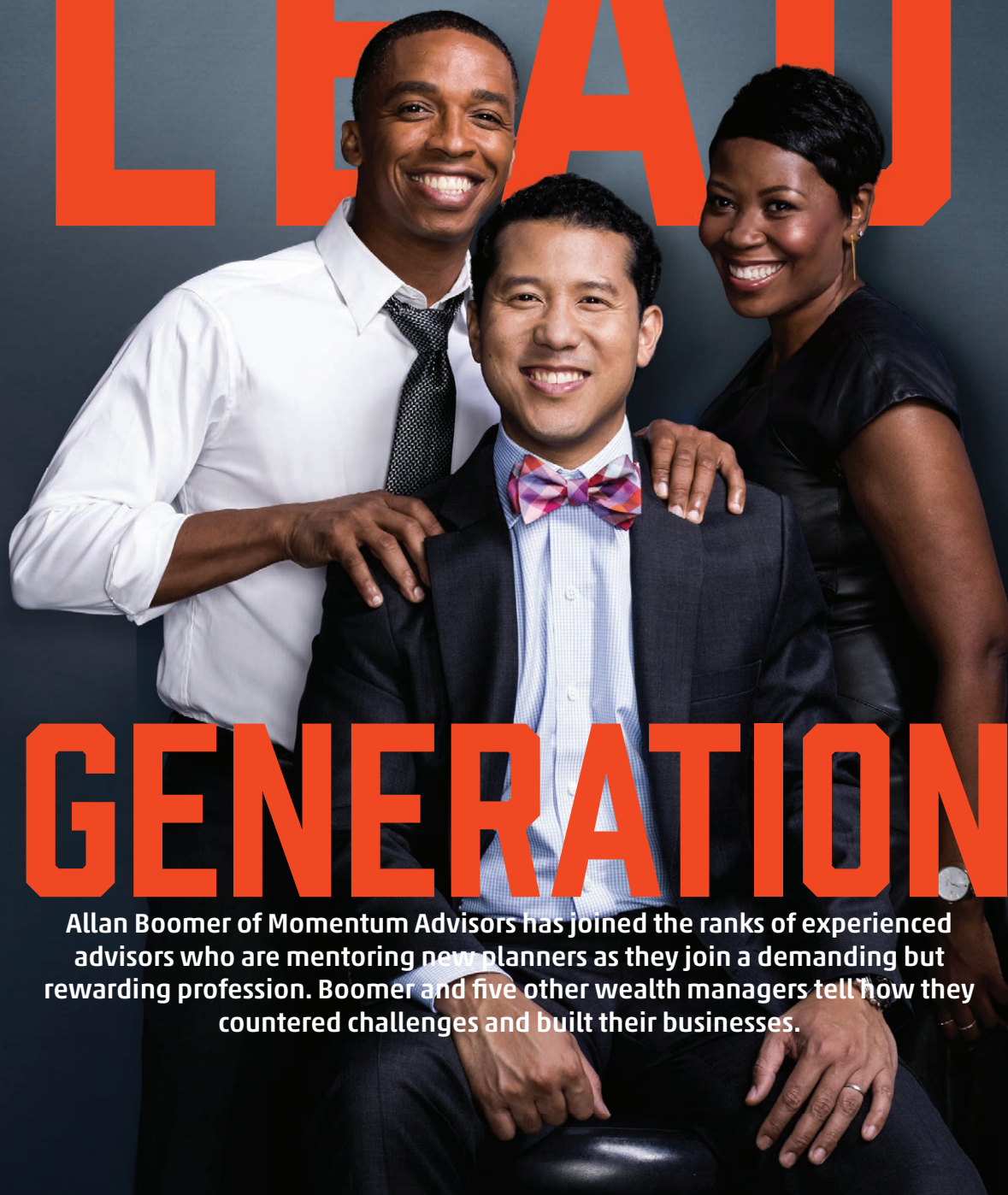


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Allan Boomer of Momentum Advisors has joined the ranks of experienced advisors who are mentoring new planners as they join a demanding but rewarding profession. Boomer and five other wealth managers tell how they countered challenges and built their businesses.



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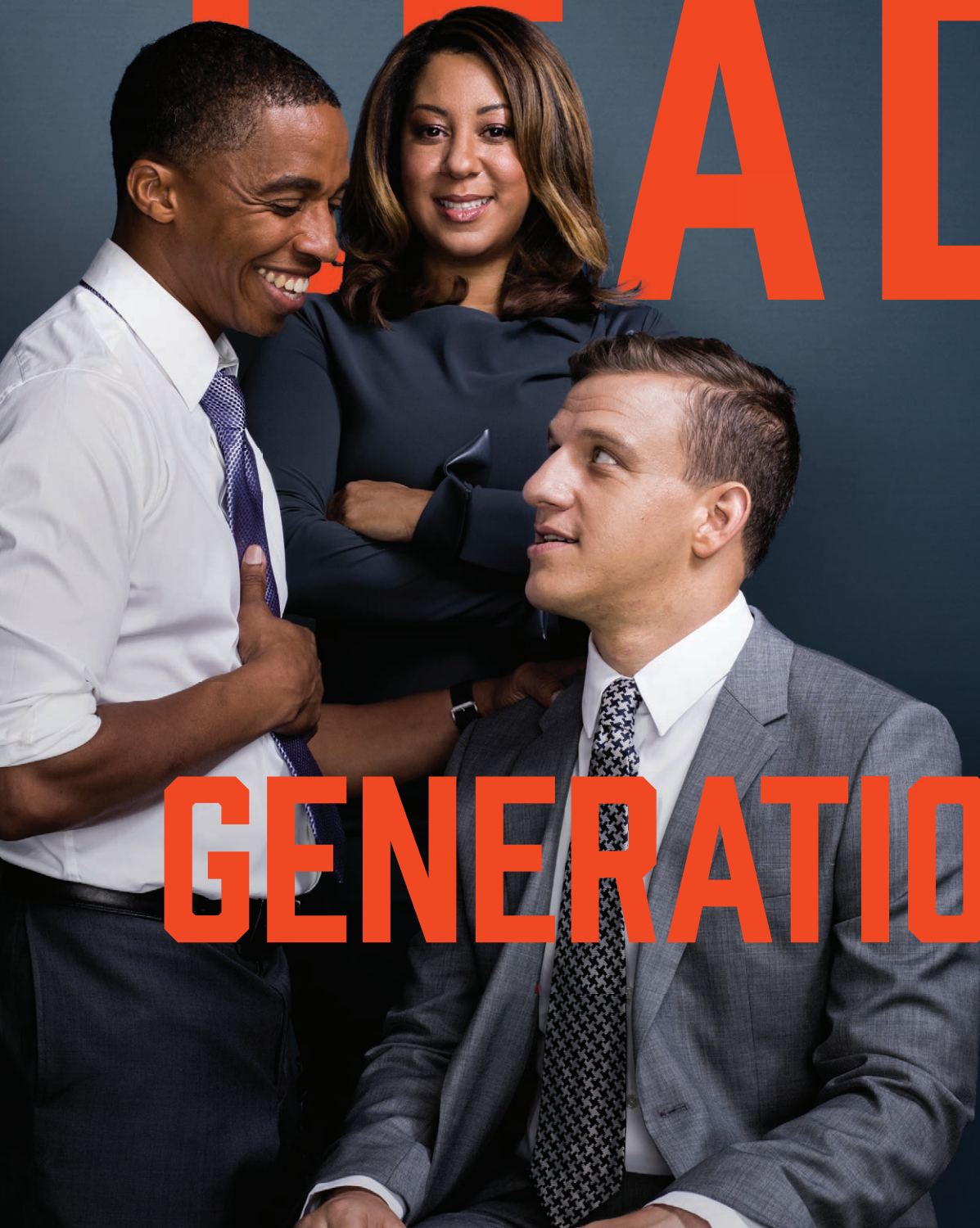
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By Kenneth Corbin

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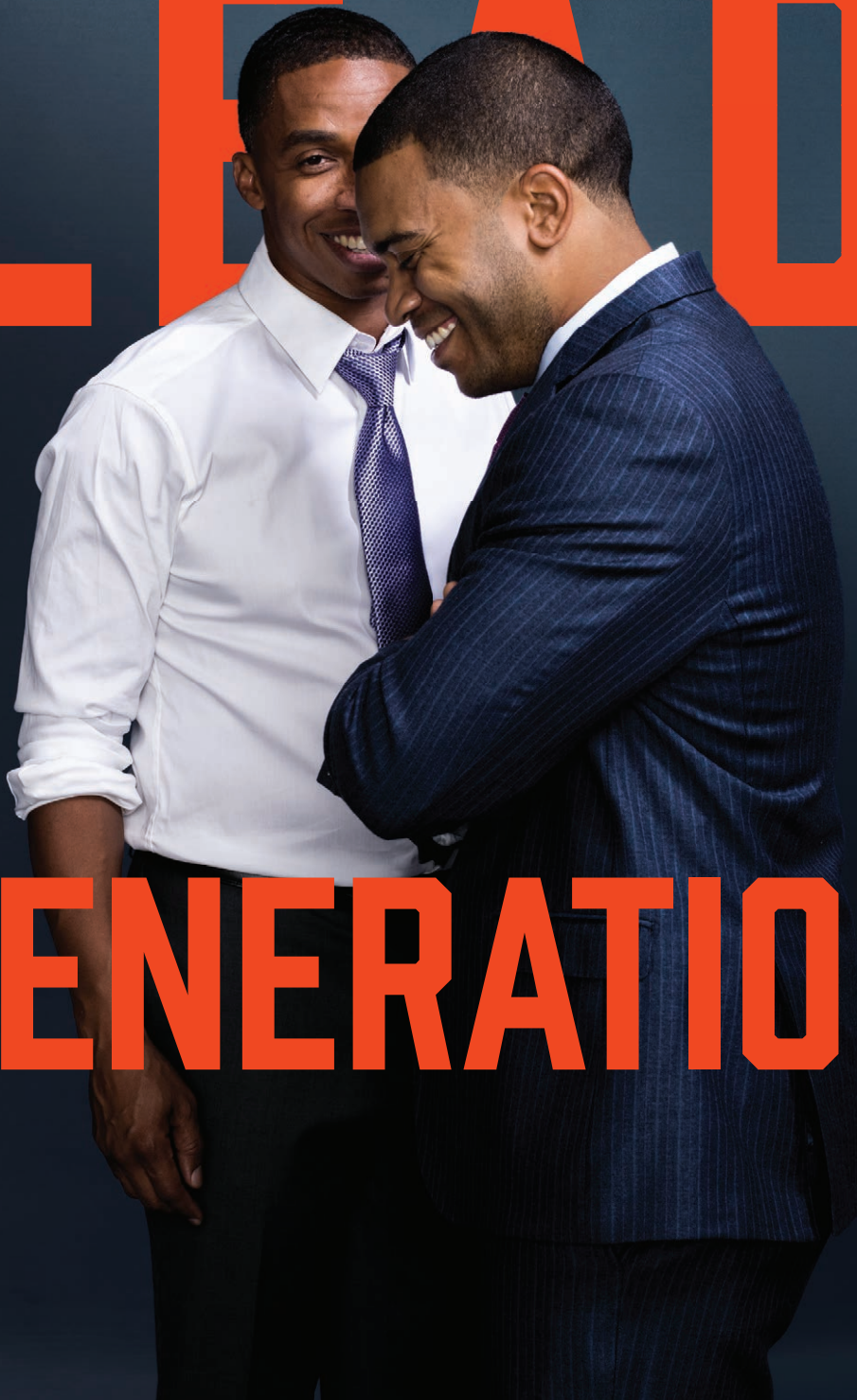
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BUYING ON THE DOWNSIDE

Losses don't scare them



Worst-Performing Funds, But Best Flows

Performance chasing gets a lot of attention, but the opposite trend can quietly happen at the same time. One investor's loss can be another's buying opportunity. Here are funds with at least \$100 million in assets that posted losses over the past 12 months and attracted new money. The average inflow was \$667 million, while the average return was minus 9%. Go to the link to find out which poorly performing funds had the largest cash inflows: <http://bit.ly/2vwWUZ4>



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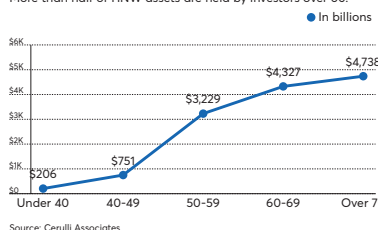
Attracting the Wealthiest Clients

Advisors have long hunted the \$13 trillion in total investable assets held in high-net-worth households. In fact, 13% of advisory firms now focus on the wealthiest clients that account for less than 1% of the U.S. population, according to Cerulli Associates. As the competition for HNW investors tightens, advisors may want to focus on up-and-coming clients who are likely to become the next generation of wealthy investors. For tips on how HNW clients are investing, go to: <http://bit.ly/2gitniX>

GUIDE TO GROWTH

Tracking the wealth

More than half of HNW assets are held by investors over 60.



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FPA BE Conference

Nashville, Tennessee
<http://bit.ly/2rzKz6Y>

11-13

Raymond James Women's Symposium

Tampa, Florida
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18-21

NAPFA Fall Conference

Orlando, Florida
<http://bit.ly/2s29nFD>

NOVEMBER

14-17

Schwab Impact

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EDITOR'S VIEW

Giving Shelter

Advisors find inspiration in places they didn't expect.

AS HURRICANE HARVEY POUNDED TEXAS, JONATHAN SWANBURG, A planner with Tri-Star Advisors, found himself in the unusual position of receiving advice, instead of giving it. As waters rose and then a tornado threatened his Houston neighborhood, Swanburg evacuated his home and emailed clients to let them know. He also told them he'd offer free financial guidance to those affected by the disaster. The response was not what he'd expected.

"None responded on the business issues at hand," Swanburg writes in our Selfie column, "Dealing With Catastrophe," on page 72. Instead, "offers of assistance poured in. Clients offered my family their homes, food, clothing. Anything we needed. It was a beautiful thing."

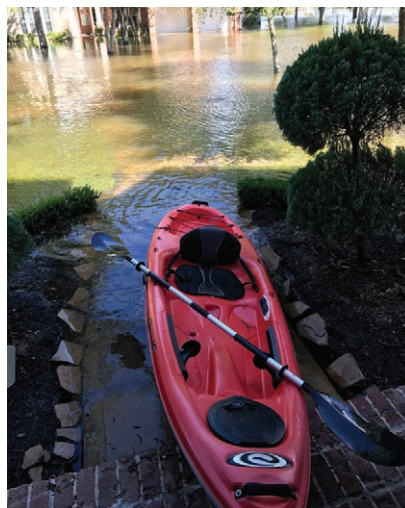
Swanburg was able to return home after several days to find minimal damage, but countless others weren't as fortunate. "We are starting to get reports from clients who had catastrophic flood damage," he emailed me after Harvey passed. "The nature of the disaster has changed but there is still a long road ahead." He now plans to follow up on his free advice offer.

Allan Boomer, the founder of Momentum Advisors and the subject of the cover story "Lead Generation," on page 36, has also reaped the benefits of helping others. His New York-based firm has grown to nine professionals and \$300 million in client assets, in part because of his dedication to mentoring new planners.

"Mentoring has provided a growth engine for my firm in terms of attracting new advisors," Boomer tells me. "Many firms struggle with attracting and retaining talent. Mentoring is a strategic advantage for my firm."

Although Boomer didn't set out to be a mentor, his satisfaction at seeing his mentees succeed has reinforced his resolve. "You must see greatness in people and inspire and guide them to achieve it," he tells me. The trust he has built with his mentees-turned-colleagues is apparent in this month's compelling series of cover photographs.

View from the front step of advisor Jonathan Swanburg's Houston home.



A feeling of trust and connection also struck Swanburg when hurricane waters rushed toward his home and clients reached out with offers to help. "At its very best, financial planning is a uniquely personal business," he says. —Chelsea Emery **FP**





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She has appeared as an expert for *CBS News*, *Forbes*, *The Wall Street Journal*, *Bloomberg*, *Money Magazine*, *Daily Worth* and *The New York Times*.



Dr. Kristy Archuleta

Program Director of Personal Financial Planning at Kansas State University

Dr. Archuleta's research relates to the area of financial therapy and include dyadic processes influencing financial and marital satisfaction.



Dr. Vicki Bogan

Professor and Director of the Institute for Behavioral and Household Finance (IBHF) at Cornell University

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Tim Sanders

Author and expert on motivation, emotional talent and sales innovation

Tim is the author of five books including the *New York Times* bestseller *Love Is the Killer App: How to win Business & Influence Friends*. Tim was the Chief Solutions Officer for Yahoo, as well as their Leadership Coach.



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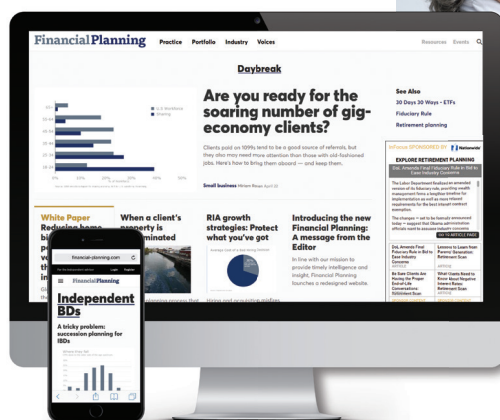
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RETIREMENT ADVISOR CONFIDENCE INDEX

Less Appetite for Risk

The index of business conditions for financial advisors slides as investors disclose growing unease about high stock valuations, domestic turmoil and geopolitical crises.

CLIENT RISK TOLERANCE HAS TUMBLED AS worries about high stock valuations boil over, according to the latest Retirement Advisor Confidence Index – *Financial Planning's* monthly barometer of business conditions for wealth managers.

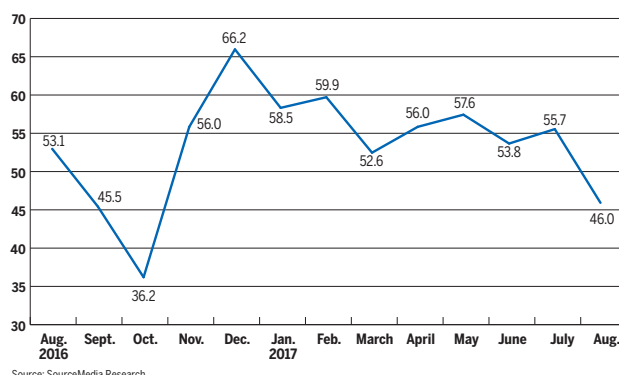
Advisors highlight concerns that the market is due for a major correction – and is highly vulnerable to a range of domestic and geopolitical shocks – as the monthly index's risk perception component plummeted 9.7 points to 46. That is the biggest decline in more than a year and the first time the component has been in contraction territory since the election. Readings above 50 indicate improving conditions, while readings below 50 indicate deterioration.

"We are de-risking accounts as equity valuations become more stretched," one planner says. In addition to the widespread belief that stocks are overpriced, some advisors singled out specific risks like the prospect of war with North Korea and the possibility that the Trump administration will make an erratic decision that would severely damage the economy.

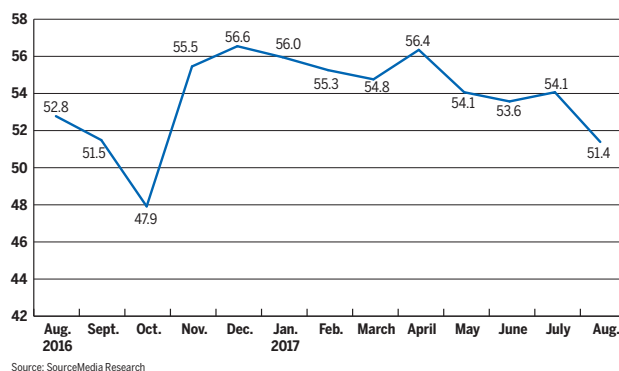
The slide in risk perception was the biggest factor in a 2.7-point drop to 51.4 in the composite index, which tracks asset allocation, investment product selection and sales, client risk tolerance and tax liability, new retirement plan enrollees and planning fees. The composite's decline was the worst since the election and pushed the index below its level of a year ago.

Some advisors say they're cashing in stocks and rebalancing toward fixed-income securities. But RACI

CLIENT RISK TOLERANCE



RETIREMENT ADVISOR CONFIDENCE INDEX



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components tracking allocations to equities, bonds and cash all fell, led by a 7.8-point drop into contraction territory for the cash component at 45.9. The components tracking flows into equities and bonds continued to show long-term expansion.

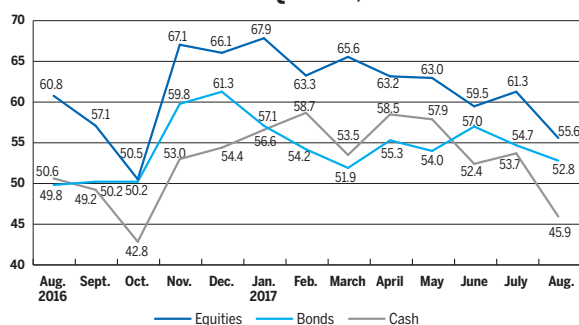
The RACI component tracking fees charged for retirement services dropped 2.6 points but stayed in expansion territory – and above the levels posted for most of the past

year – at 54.2.

Advisors say that clients have more money to save and are looking to add to retirement accounts. Some attributed inflows to recent strength in hiring, with new employees becoming eligible to enroll in their company retirement plans, spurring “a substantial increase in new retirement account openings and participation.” – *Harry Terris*

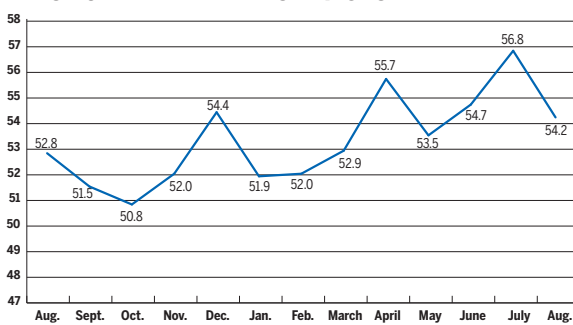
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ASSETS ALLOCATED TO EQUITIES, BONDS AND CASH



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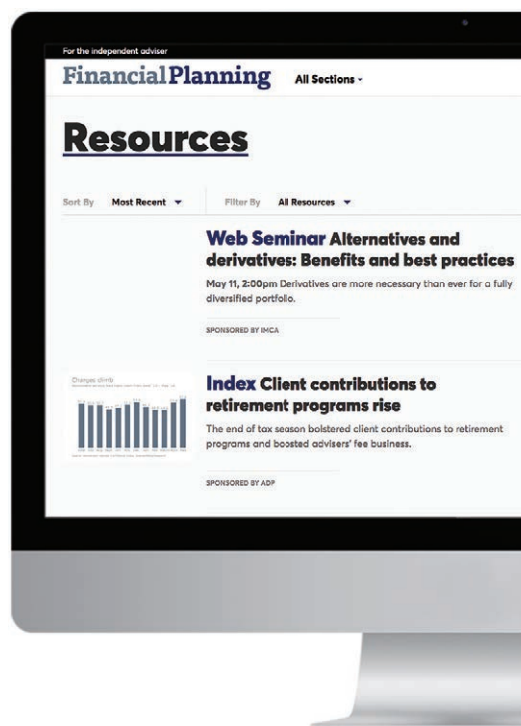


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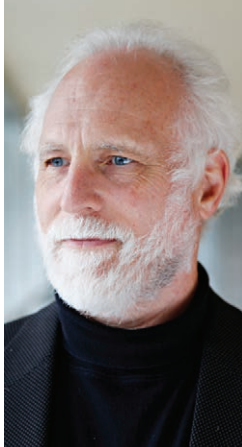
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INDUSTRY INSIGHT **VERES**

Held Back by the Past

The founders of the most successful advisory firms won't change because of an "invisible scar" from their early years of practice, Bob Veres says.

I'VE OFTEN LAMENTED THAT THE founding generation of planners is holding back progress.

This is surprising since this was the group who, back in the 1970s through the 1990s, led a surprisingly effective revolution against a powerful industry whose mindset was to sell products without evaluating its customers' needs.

Whether they intended it, most of these then-young, idealistic advisors wound up founding a new profession. It developed its own body of knowledge, focused expertise and ethos that is loosely defined by the fiduciary concept.

NEXT LOGICAL STEPS

Everywhere you look, younger advisors now want to take the revolution through its next logical steps and remove all vestiges of the sales model.

They want to change their firms' revenue model from assets under management (which, to some of us, still looks an awful lot like trail commissions) to a fee structure that directly aligns the compensation charged with services and value.

They also want to embrace the newest technology, like automated online portfolio rebalancing, reporting and tax-loss harvesting. These younger advisors are looking for permission to communicate with clients via Skype and social media.

And, (most importantly, I think) they

want to expand their firms' services beyond clients with significant assets and finally bring the benefits of financial planning to the rest of the populace.

LEAP OF FAITH

Older advisors are resisting. The interesting question is why?

To understand what is going on, have a drink or two with founding members of the profession and get them talking about the early days of their advisory businesses. Chances are you will hear some version of this story:

I started my business on a leap of faith because I wanted to work solely on behalf of my clients — not for the firm and not for my own self-interests. I thought, because I personally knew the difference between the services and advice I would provide, versus the self-interested services and advice that brokers would provide, that people would flock to my door.

People didn't flock to my door — at least, not immediately.

In fact, it took me years before I was even able to take a salary. For the first couple of years, my receptionist made more than I did. I honestly thought my new venture was going to go under.

This was followed by three to five more tough years where I barely eked out a living. I was terrified that I had made a terrible decision, that I would have wasted my money

To understand what's going on, have a drink or two with founding members of the profession.

and almost a decade of my life on an idealistic whim.

And then, for reasons I still don't totally understand, things turned around. My clients got richer and my annual fees went up accordingly. More people found their way to my door. I almost couldn't handle all the business that was coming in, and I had to invest, and invest, and invest again, and that was scary.

But now I'm doing really well, the firm is doing well – and ... Why are you asking me about this?

PIONEER'S STORY

This is the Pioneer's Story. I suspect it is a version of the tribulations that the first hardy American pioneers experienced when they migrated from the safety of the eastern cities to the open lands to the West, built their homes with their bare hands and hoped that the land would provide them with enough food to survive.

It's easy for us to look back and imagine that, since everything turned out all right in the end, somehow those pioneers must have had confidence all along.

They didn't, and neither did the forerunner of the independent financial planning profession, whose leap of faith was comparably brave.

EARLY YEARS OF TERROR

As we look at the dynamics of the profession, it's important to realize that those early years of terror left an invisible scar on the founders of advisory firms.

They won't talk about it, but they live in silent fear that they are one or two bad business decisions from being transported back to the pioneering days.

It's a place where the clients are unfamiliar, where they're not sure of the viability of their business model, where change is coming at them fast but certainty is in desperately short supply.

This is the dynamic that causes many founding advisors to resist the rapid change demanded by the marketplace.

It's why they are reluctant to encourage younger advisors who see opportunity everywhere they look.

The hidden trauma in the Pioneer's Story, the fear of risking it all and giving up hard-won comfort and certainty, is something our profession's younger associates must recognize and accommodate if they're going to drive their firms' wagon train into the professional future.

CLEARING THE PATH

Accommodate how? Those reluctant founding advisors will respond more favorably to change if they see, clearly, that these recommendations will not uproot them. New pioneers should start with a business plan that lays out, in writing, the opportunities and the risks.

It would be helpful if:

- 1) The business plan clearly outlines how the opportunities visibly outweigh the risks; and
- 2) There is some reassurance that the firm won't be plunged back into unprofitability in the interim.

I happen to think that the instinctive opposition to change is an irrational, emotional reaction, and unpleasant memories block advisors from considering even the most carefully planned proposals.

If planners would recognize that the scars inflicted by the pioneering days are still affecting their decisions today, and see that they're safely on the other side, they might be able to move forward.

ADDRESSING FEARS

And if their younger cohorts would acknowledge how their mentors are still haunted, they'd be more likely to get the go-ahead to create the firms they'd want to inherit some years down the road.

Meanwhile, if those fears aren't addressed effectively, younger advisors will be forced to go out on their own and build the profession of the future.

Then they will get a chance to learn firsthand how hard it is to live like a pioneer. **FP**

If younger advisors would acknowledge how their mentors are still haunted, they'd be more likely to get the go-ahead to create the firms they'd want to inherit.

Bob Veres, a *Financial Planning* columnist in San Diego, is publisher of Inside Information, an information service for financial advisors. Visit financial-planning.com to post comments on his columns or email them to bob@bobveres.com. Follow him on Twitter at @BobVeres.



ELITE ADVISOR **BOWEN**

6 Traits for Building Loyalty

Self-promotion is not the key. Here's a primer on how advisors can build a successful practice with very little marketing, according to John J. Bowen Jr.

HOW WOULD YOU PREFER TO SPEND your time?

You've got two choices: A, promoting yourself and constantly hunting for new clients; or B, serving very loyal clients who regularly give you more of their assets to manage, despite very little marketing on your part.

Of the thousands of advisors I've met and worked with over the years, there are probably fewer than 5% who would choose A. We all want clients who stick with us and give us more of their trust and assets over time, and who also introduce us to their affluent peers. A devoted client base is the key to building a truly exceptional practice.

What's more, having an exceptional practice is more important than ever. Although many financial professionals will earn good livings for some time to come, we are rapidly entering an era where relatively few advisors reap most of the rewards. The financial planning world is becoming a place where the winners might not take all – but they will take most.

BUILDING LOYALTY

Regardless of whether you focus mainly on investments or go beyond asset management to include wealth and advanced planning services, you need a loyal clientele. To attract one, you need to practice what I call the six Cs of client loyalty – character, chemistry, caring, competence, collaboration and cost-effectiveness.

The first four of these traits are your foundation: character, chemistry, caring and competence. They work in lockstep. If wealthy clients see you as very caring, then they are likely to conclude that you have character, that the chemistry between you is good and that you are quite competent.

But a strong foundation will still have little impact on how those clients view you when it comes to being consultative.

Let's consider each of these characteristics individually.

1. Character entails the personal qualities that clients look for in financial professionals. The three most important are integrity, trustworthiness and dependability. Advisors universally acknowledge that these traits are important. Unfortunately, many have a difficult time conveying these traits to their clients.

2. Chemistry occurs when you're in synch with your clients. You have chemistry when you connect with them; when you know what they like to discuss and you see eye to eye on important issues. You can't fake having good chemistry, any more than you can hide it when the chemistry is bad.

That means you should work with people you really like and get on many levels. By opting to only serve clients who are a good fit for your skills and interests, you ensure that the chemistry at your firm is only the best.

3. Caring is about empathy and truly

We are rapidly entering an era in which relatively few advisors reap most of the rewards.

knowing what matters most to your clients, beyond their financial goals and investment objectives. To convey caring, you have to demonstrate that you have a genuine grasp of their most important priorities.

4. Competence. The more you demonstrate your competence, the more loyal your clients become. Most clients consider their advisors to be extremely capable technically and exceptionally smart. But they tend to equate competence with thought leadership, and a strong indication that your clients regard you as competent is when they see your peers acknowledge you as an expert. Establishing your thought leadership by publishing articles and white papers and getting endorsements from key influencers in your market niche does wonders for your perceived competence.

5. Collaboration is the surest way to create loyal clients, regardless of your business model. This comes down to three things: The first is recognizing that your relationships shouldn't always be about what you do for your clients. Most of them want to be involved and would prefer a more collaborative approach.

The second concerns when you communicate with them. Your client contacts shouldn't be limited to scheduled meetings like quarterly investment reviews. You build loyalty when you reach out spontaneously, whenever there is a reason to get in touch.

The third is customizing communications. Formal presentations shouldn't be off-the-shelf, but should be personalized in a way that connects with each client.

6. Cost-effectiveness is increasingly important as clients become more price-sensitive. But while many financial professionals have been forced to lower their fees, for affluent clients the issue is less about cost and more about value. The wealthier they are, the more willing they are to pay without

debate for financial advice, as long as they perceive it as high quality.

Clients tend to focus on costs only when their advisors fail to focus on value. Providing cost-effective solutions means not only providing real value, but also the perception of value.

THE SIX CS AND YOUR PRACTICE

The six Cs are all in your control. You can act in ways that communicate caring, generate good chemistry, demonstrate competence and cultivate a collaborative spirit with your clients. The key is to carefully consider each factor and how you can seamlessly integrate it into your practice.

Whether you focus on investments, basic financial planning or more sophisticated planning strategies, character and caring are essential qualities to convey. Chemistry

becomes increasingly important as wealth managers work to broaden their range of service. Greater chemistry leads to greater client rapport. If you're a wealth manager

offering complex planning solutions, you need this rapport to engage with your clients, evaluate their needs and identify which wealth management strategies can have the greatest impact.

The importance of being competent, consultative and cost-effective also increases as you offer additional services and products.

Taken together, these characteristics attract the right mix of affluent clients, inspire genuine loyalty and become the glue that binds the client to an advisor as their relationship deepens over time.


Excelling in all six of these traits requires the right systems and processes, as well as the right people who can consistently deliver an outstanding client experience. The payoff comes when you can show that you are the right person to help your clients make smart choices about their wealth. **FP**

You can't fake good chemistry. That means you should work with clients you really like and get on many levels.

Video

Here are six ways to cultivate a relationship with your client that lasts.

<http://bit.ly/2IK5TE4>



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PRACTICE CONSULTANT **KAUTT**

Customized Plans? Forget It

To give great guidance to clients, focus on removing noise and bias rather than trying to find an individual solution for each client, Glenn G. Kautt says.

AS YOU ADD PLANNERS TO YOUR TEAM, how do you know that they are advising clients correctly?

As a firm grows, inconsistent decision making also increases. That hampers efficiency, effective client service and scalability. This is the product of two factors: variances in judgment, or what experts call noise, and inaccurate or inadequate information, processes or technology, which are labeled bias.

To safeguard an advisory organization, owners and managers need to know how to recognize and overcome noise and bias.

WHAT WAS THAT NOISE?

As a youngster, I got into target shooting. I spent nights and weekends learning to fire a single-shot .22-caliber rifle at a paper target 50 feet away and consistently hit a bull's-eye less than a quarter-inch across. Poor sight control, known as noise, resulted in Target 1, shown in the "Noise and Bias" diagram.

If I had good sight control but an inaccurate sight on the rifle, the result would reveal bias, like that illustrated in Target 2. At the start of my training, poor sight control combined with an inaccurate sight resulted in Target 3, combining noise and bias. Good sight control and an accurate sight resulted in Target 4.

For advisors to make complex decisions, they need adequate information, formal experience and guiding principles. That

makes their situation different from that of a portfolio trader who follows a strict set of rules designed to limit subjective interpretation. Organizations expect consistent outcomes over time from traders following consistent rules, with no bias or noise.

Recent research, however, has shown a problem with this expectation.

Daniel Kahneman, a Nobel Memorial Prize winner in economic sciences, and three associates published a report on noise in organizations in the October 2016 *Harvard Business Review*. This research found that noise, as measured by the variance in expected outcomes between different professionals making decisions based on the same data inputs, was three to four times as large as managers expected. Stated differently, the introduction of subjective judgment by professionals varied by a very large unexpected and unwanted amount.

This can spell trouble for advisory firms.

A 'CUSTOM SOLUTION' THAT ISN'T

Does your website offer a "custom" or "individual" solution to clients? If so, you're telling potential clients that your firm can design and deliver exactly what they want. Maybe you can, but can all your advisors do as good a job as you? Before you answer, consider Kahneman's discovery of the large human variation in judgment-based output that may occur as your advisors provide cus-

Fast-growing firms employ standardized procedures and service offerings to remain cost-competitive while assuring superior levels of quality.

IF YOU THINK CLIENTS DON'T NEED AN ANNUITY TALK TO SOMEONE WHO OWNED ONE IN 2008.

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Visit Jackson.com to learn more about how a variable annuity can be an important part of a comprehensive investment plan.

¹Optional benefits are available for an extra charge in addition to the ongoing fees and expenses of the variable annuity. The long-term advantage of the optional benefits will vary with the terms of the benefit option, the investment performance of the variable investment options selected, and the length of time the annuity is owned. As a result, in some circumstances the cost of an option may exceed the actual benefit paid under that option. Death benefits terminate if the contract value falls to zero.

²Lifetime income of the optional lifetime benefits becomes effective at issue if the designated life/owner is age 59½ at issue, or upon the contract anniversary following designated life's/owner's 59½ birthday, provided the contract value is greater than zero and has not been annuitized.

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tom services.

You might still be tempted to answer that you create totally customized products and services for every client. I'm unaware of any multi-advisor firm with a competitive fee structure that has remained in business giving every client a totally customized, personally crafted financial plan and investment management solution. A high level of customization by itself does not spell success.

Instead, fast-growing firms employ standardized procedures and services offerings to remain cost-competitive while assuring superior levels of quality. When market demands and business circumstances force adjustments in service, these changes need to be firmwide.

Even though customization introduces human bias and noise, a total robo planning solution isn't the answer, either.

Simulation planning models show that the most influential factor in financial security comes from the least predictable but most controllable (at least by the client) variable: client behavior, in the form of spending and personal investing. It's not the variability of investment returns or any other exogenous variable. Put another way, clients can introduce significant bias and noise with their financial actions, creating large variances in otherwise predictable outcomes.

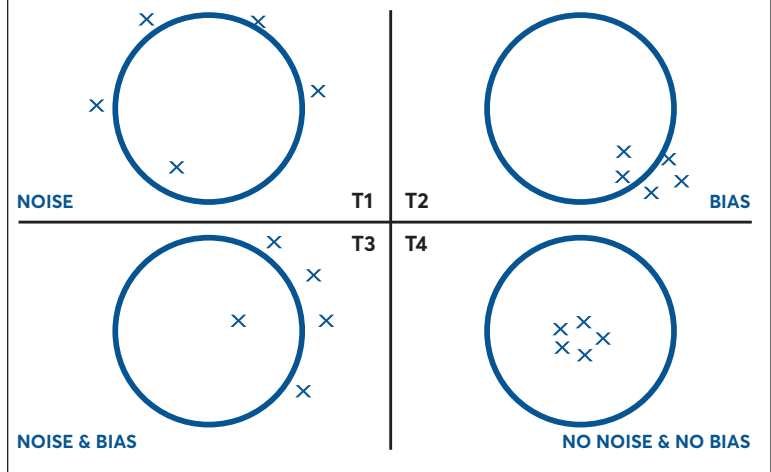
WHERE CUSTOMIZATION HELPS

What can you do to reduce bias and noise while increasing value and efficiency in your firm? The most significant value any advisor can provide is professional, consistent, repeated advice to reduce the impact of bias and noise from clients' financial behavior. To assure that this happens, every advisor needs to have a high level of interpersonal and communication skills.

To help develop these qualities at my firm, Savant, we encourage every advisor to regularly write, or to speak with local media or at public events. As possible, advisory firms should provide mentoring and training in interpersonal skills and communication.

At Savant, we internally publish our advisors' media and speaking events. This instills

NOISE AND BIAS AFFECT RESULTS



a sense of pride in our advisors who represent the firm and reminds every staff member of the importance that the firm places on these activities. Recognition encourages advisors to do more.

Employees, regardless of position, should contribute to an internal firm blog. This can provide interesting and valuable insights, and also benefit employees who take the time to craft clear and coherent writing. Advisors and staff can learn to communicate in a concise and straightforward manner, with minimum noise and very little bias.

Written reports to clients, covering performance, analyses and recommendations, should be equally comprehensible. As clearly and simply as possible, the writer should state issues, objectives, risk factors and outcomes.

Just as optimum investment management has become harder and harder to customize, so has financial planning advice. If you think there is only one optimum solution for each client, I disagree.

As President Dwight D. Eisenhower once said, "Plans are worthless, but planning is everything." Experienced planners recognize that things change and stuff happens.

The biggest value you bring to clients is not your custom solution. It's your willingness and ability to adapt to change and help clients face the unexpected adversities that will come their way. Plan on it. **FP**

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- Save
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IN PRACTICE **FOSS**

When 80 Becomes the New 60

The key to longevity planning is to be positioned as the provider of all the necessary tools, Kimberly Foss says.

PERSPECTIVE — AND TIMING — ARE everything. In 1930, five years before Social Security legislation was passed, the average life expectancy of U.S. citizens was 59.7 years. The math worked out somewhat favorably for a program designed to pay workers a continuing income after retirement at age 65. The number of people who could statistically expect to live long enough to actually collect was pretty limited, and the percentage of people older than 65 was less than 6%.

Now, those aged 65 and above make up around 12% of the U.S. population. That number is expected to hit 19% by 2030. And the average life expectancy in the U.S. has gone up to almost 80.

THE SENIORS OF THE FUTURE

Our perspective on what it means to be elderly has undergone a dramatic shift.

Indeed, the World Health Organization estimates that a typical 60-year-old can reasonably expect not only to survive for many more years, but also to enjoy a healthy, active lifestyle for two decades or more.

As technology and medical science continue to advance, we may soon receive a longevity dividend of 30 or even 40 years beyond that available to our great-grandparents. Some researchers even suggest that half of the babies born in industrialized countries will live to 100.

Think about this prospect: The seniors

of the future are likely to enjoy two, three or even four decades of life beyond what we now consider retirement age. What possibilities does this open up? Will it change the way we think about work? About education? About health care?

OUTCOME-FOCUSED

Another factor to consider is that the baby boomers now entering retirement are more educated, more technically savvy and more connected to the information universe than any prior generation of retirees. They are accustomed to asking questions, looking things up and digging for answers. They also have more information available to them than ever before.

Boomers are four times more likely to do their own research on health matters than their parents, according to a recent Merrill Lynch study. These retirees want more than just access to expertise; they want to participate in evaluating the data relevant to their decisions.

Joseph Coughlin, director of MIT's AgeLab, suggests that increasingly, people entering retirement are outcome-focused. Employing a metaphor first suggested by marketing theorist Theodore Levitt, Coughlin says that more and more, retirees just want the tools needed to accomplish the goals they desire. They don't want to own a drill because they want to have a drill around the house; what they really want is a tool to

The baby boomers now entering retirement are more educated and more connected to the information universe than any prior generation of retirees.

create a hole in the wall.

Similarly, boomers don't really want stocks, bonds, mutual funds or insurance; they want the means to live their desired lifestyle when they are no longer actively employed. They want to solve the problems that come with longevity, and those problems, more and more, go beyond simply funding their retirement accounts.

USE THE RIGHT TOOLS

The key to longevity planning, then, is to be positioned as a provider of the necessary tools. Consider some of the problems retirees will face:

- **Transitions.** How will people move from a phase of life involving work and career to one featuring a slower pace, fewer hierarchical relationships, less task orientation and less day-to-day urgency? Will they opt for part-time work, either for financial support or emotional fulfillment? Will they go back to school, study a new skill or pursue a passion that previously took a backseat to career?
- **Well-being.** Going beyond doctors and prescriptions, this encompasses managing chronic conditions, maintaining activity and involvement, and establishing or strengthening important interpersonal connections.
- **Providing care.** Along with medical professionals, this issue includes the informal care networks that many seniors increasingly depend on, as well as the competing challenges faced by those offering the care – frequently a spouse or adult child.
- **Independent lifestyle.** This aspect of retirement is fraught with complications, as anyone who has faced the necessity of convincing an aging parent of the need to move into assisted living can attest. Baby boomer retirees, especially, value their independence, but they must nevertheless reckon with the expenses of retrofitting their homes to reflect their increasing physical limitations. Alternatively, those who opt to downsize or relocate

face a multitude of decisions including selling a home, buying or leasing a more desirable place to live, and managing day-to-day transportation needs.

To position themselves to adequately respond to the longevity needs of an aging clientele, advisors will increasingly be called upon to provide not just transaction-based assistance, but also to serve as facilitators of the relationships required to address these and other problems.

We will fall short helping our aging clients if we stay in our financial silos; instead, we will need to become conduits for leading them to the solutions they require.

PROVIDING VITAL CONNECTIONS

Certainly, it isn't reasonable to expect advisors to also become experts in gerontology, physical therapy, or occupational counseling. Our deep knowledge of our clients' situations and our ability to help them make wise choices about their financial resources will continue to be crucial. We must still be their tool for the important job of maintaining financial security.

But as the longevity trend continues, our clients will need other tools as well. Working from the foundation of our commitment to know them thoroughly, we can provide vital connections for our clients to the other tools they will need.

We can form relationships with trusted, thoroughly vetted professionals in industries including housing, construction, home care and employment to help them and their children solve their problems.

As AgeLab's Coughlin notes, "Financial advisors now stand at a frontier: the new business of longevity. That business will provide them with opportunities to engage with their clients over a lifetime, on more topics, more often, and with greater intimacy."

In many ways, this is the logical extension of the financial advisor's mantra of "Know your client." As our clients travel farther down the road of the longevity revolution, it will be up to advisors to help keep their vehicle in top running condition. **FP**

"Financial advisors now stand at a frontier: the new business of longevity," says Joseph Coughlin, director of MIT's AgeLab.

Embracing the Robo Model

The increase in RIA head count and assets under management is being fueled by the rise of digital advice platforms.

BY KENNETH CORBIN

THE RIA SECTOR IS ENJOYING BRISK GROWTH IN both personnel and assets under management, but remains dominated by small businesses that cater to specialized sets of clients, including a growing number of firms that are rolling out interactive digital advice services.

Those are among the findings from a new report by the Investment Adviser Association in the group's annual industry snapshot. In partnership with the compliance consultancy National Regulatory Services, the IAA combed through more than 12,000 Form ADVs on file with the SEC to develop a sketch of an industry evolving to keep pace with a growing and increasingly tech-savvy client base.

In a statement, IAA CEO Karen Barr touted the industry's flexibility, noting the continued growth amid the "rapid pace of change in the financial services ecosystem."

John Geibauer, president of National Regulatory Services, a consulting firm, says the industry's embrace of technology is "both a response to client needs and expectations and a driver that is expanding the client base for financial advice."

TREND OF INCREASES

By the numbers, the RIA sector hit an all-time high with 12,172 SEC-registered advisors as of April, up 2.7% from a year ago. Those advisers serve 35.6 million clients and manage \$70.7 trillion in assets, according to the IAA's analysis.

The total number of clients served, while down a tick

from 2016 (which the Investment Adviser Association attributes in part to changes in methodology and a reporting error, saying that the slight decline is "not meaningful"), continues a running trend of increases. In 2012, SEC-registered advisors reported serving 23.2 million clients, more than 13 million fewer than today.

By firm count, the growth of the RIA sector stands in sharp contrast to the diminishing number of brokerage houses, though industry consolidation in the broker-dealer world is a mitigating factor. Still, the number of RIA firms

eclipsed FINRA-registered brokers in 2014, and the trend lines have been diverging since. The IAA posits that still more brokers might move toward the advisor model in response to the Department of Labor's fiduciary regulation.

THE RISE OF ROBOS

But the association suggests that much of the client growth has been fueled by the rise of digital advice platforms, both those that serve retirement plan participants and the online robo ser-

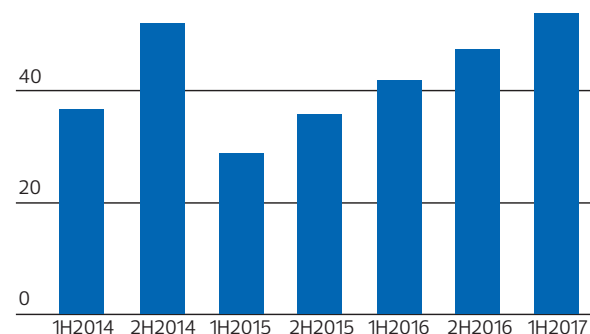
vices and applications that cater to retail clients with lower account balances.

"The past couple of years we've been looking at the trend toward automated investment advice," says Laura Grossman, the IAA's assistant general counsel who led the team that assembled this year's report. "The form (ADV) is not designed to pull out that information so it's a little hard to tell, but it seems like that's increasing."

But Form ADV does have a box for firms to check to indi-

The Breakaway Trend Continues

Four-year high in employee-to-independent moves.



Source: Company data as reported by On Wall Street

cate that they are an “internet advisor,” a more than 10-year-old designation that covers firms that provide advice almost exclusively through an online platform. (Firms can still be eligible for that designation if they provide additional advice beyond their website to fewer than 15 clients in a year.)

The number of firms that checked that box has been on the rise in recent years, up 16% this year and just under 60% from 2015 to 2016.

SHELF REGISTRATIONS

That’s still a tiny fraction of the overall RIA universe, however, with only 146 firms self-identifying as internet-only this year. What’s more, 61 of those firms are registered with the SEC but do not report any clients or assets under management, amounting to what the IAA calls shelf registrations, according to Grossman.

“They’re probably expecting to get the assets or get the clients in the future,” Grossman says.

She cautions against allowing the internet-only channel to obscure the far larger shift toward some hybrid form of service model that blends automated advice with human elements.

“I wouldn’t just look at the internet-only advisor – the 146. That does not even encompass what we see as the major robo players,” Grossman says.

“That’s not representative of what we consider automated investment advice,” she says, noting that major robo players like Betterment or Vanguard wouldn’t identify as strictly automated firms on their Form ADV. “They don’t check the box for internet-only.”

SMALL-SCALE OPERATIONS

The data show that there are only a handful of mega-advisors serving a vast portfolio of clients, suggesting a heavy reliance on an automated advice platform. Just eight registrants report that they have more than 1 million clients.

Far more common are firms that have fewer than 100 clients, the analysis finds. In

part, though, that number is weighed down by the advisors who serve a relatively small number of pooled vehicles such as mutual funds or private funds.

It is also reflective of the fact that most RIAs are small-scale operations, with relatively few employees serving a proportionate number of clients.

By far, the largest segment of firms are those with AUMs between \$100 million and \$1 billion (56% of all registrants), and 87% of all registrants count fewer than 50 employees. Slightly more than half of all firms hire 10 or fewer nonclerical employees.

“We still see that the investment advisor industry is really driven by small businesses,” Grossman says.

‘INDUSTRY BARBELL’

Then again, while the smaller firms hold the lion’s share of clients, there is a striking imbalance in the distribution of assets, an effect the IAA calls the “industry barbell.” Just 1% of registered advisors – only 124 – boast an AUM of \$100 billion or more, yet those shops manage 54% of the total assets in the industry.

Many advisors also demonstrate a singular mindedness in their ADV filing, both in business model and in the types of client they prefer to work with.

On one side, the numbers of advisors who are either dually registered as a broker-dealer or who work as a registered representative for a broker are dwindling, down 1% and 5%, respectively.

Then, more than 87% of advisors say that one type of client comprises the majority of their business. Fifty-one percent say that they primarily serve individual clients, while 29% mostly work with some variety of pooled vehicles.

Nearly 2,200 registrants say that they work exclusively with private funds, and another nearly 300 report that they solely provide advice for registered funds.

“A lot of advisors specialize in a single type of client,” Grossman says. “If you’re an advisor, you tend to specialize.” **FP**

“We still see that the investment advisor industry is really driven by small businesses,” says Laura Grossman of the Investment Adviser Association.

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Bank RIA Deals Gain Momentum

“Banks traditionally pay higher valuations, but [RIAs] should go into deals with eyes wide open,” investment bank founder David DeVoe says.

BY ANN MARSH

BIG BANKS, MAJOR ACQUIRERS OF RIAs 15 YEARS ago, have re-entered the M&A space with a vengeance, snapping up 15% of deals so far this year, compared with just 3% for all of 2016.

That’s according to a new study by DeVoe & Co., an investment bank that tracks RIA deals on a quarterly basis. “Banks have essentially quintupled” their market share in a matter of months, founder David DeVoe says.

The new big money players are adding fuel to a sustained boom in RIA dealmaking. DeVoe & Co. has recorded 35 or more transactions for five straight quarters. Thus far, 2017 has produced 82 deals, a 15% increase over the 71 buyouts that took place during the same period last year, the study found.

The amount of assets under management exceeded \$100 billion this year for the first time since the first quarter of 2015, according to the study.

Several years ago, DeVoe predicted that the banks would go on a buying spree, as they came out of the recession. Back then, “They had their own issues rather than deploying capital toward M&A,” he says. “[But] a lot of those challenges were overcome a couple of years ago, [and] I anticipated they would enter the market sooner.”

With the banks back, RIAs’ proportional share of deals has dropped. While the RIAs accounted for nearly 40% of deals last year, this year so far this sector’s share is only 26%.

FIRST REPUBLIC

First Republic Bank, for example, has done a flurry of smaller

deals, picking up four wirehouse breakaways so far this year, all with less than \$1.5 billion AUM,

“Clearly First Republic continues to be very interested in this space,” DeVoe says. After buying Luminous Capital and its \$5.5 billion in assets in a headline-grabbing deal in 2012, the bank bought the \$6.1 billion AUM multi-family office Constellation Wealth Advisors three years later in 2015.

The banks’ entry into the space has disrupted a duet

between RIAs and consolidators. “Over the last six or seven years, RIAs and consolidators have really gone head-to-head in acquiring the most firms,” DeVoe says. “They generally traded off between 40% or 45% of the deals.”

RIAs interested in selling themselves to a bank should be wary, given that many banks are looking to sell their own products to the RIAs’ clientele. “Bank deals can be challenging,” DeVoe cautions. “Overall, they have had pretty mixed results. That cross-sell strategy is really

tough to implement.”

Many RIAs chafe at being told what to sell to their clients. And RIAs that have broken away from larger organizations for the benefits of independence may find it difficult to, once again, become part of a larger whole.

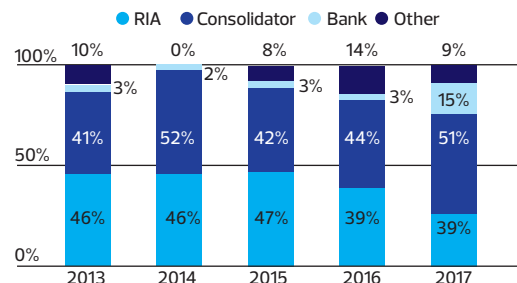
DeVoe cited the example of Boston Private, which after buying a series of RIAs later sold off some of them off.

Trying to blend the two cultures “was not easy,” DeVoe says. “Banks traditionally pay higher valuations, but [RIAs] should go into deals with eyes wide open.”

FP

Banks move in and RIAs drop out

Big money bank buyers have moved in on the RIA M&A space.



Source: DeVoe & Co.

HIGH NET WORTH

ALSO IN HIGH NET WORTH: P. 34: Jump-Starting HNW Growth

Tackling a Tough Topic

With more than a million people receiving cancer diagnoses each year, advisors should be ready to offer strategic and caring advice.

BY MARTIN M. SHENKMAN

CANCER IS A DIFFICULT REALITY THAT WILL confront many clients, advisors and their staff members.

Roughly one in two men and one in three women will develop cancer in their lifetime, according to the American Cancer Society. Statistics compiled by the National Cancer Institute indicate that more than 1.6 million cases of cancer are diagnosed in the U.S. annually and roughly 600,000 people die of the disease.

Given these figures, it is a grim reality that most of us are likely to be touched by cancer, directly or indirectly.

For advisors, all of this means that we need to be prepared to be there for clients when they receive a cancer diagnosis, and we should be in a position to respond skillfully when clients fall ill.

BUILDING ON THE BASICS

In carrying out their professional duties, planners routinely address the uncertainties of disability and encourage clients to plan for it. This skill set includes retirement planning, creating a rainy day fund, buying disability income replacement insurance, arranging for long-term care and more.

This same level of planning should go into preparing for life-threatening illness.

Too often, after any negative health diagnosis, clients panic and take impulsive actions that harm their financial security. Planners should communicate to clients that they are available to assist the client and client's family as they cope with the complex challenge before them.

Recommend a meeting with your client to prepare an inventory of matters and a prioritized list of steps. By creating such a list, the client can be assured they will devote the least amount of time and mental energy possible to financial matters until after they have addressed medical issues, but also not make any decisions that may harm their financial standing or miss critical deadlines.

For example, the client may continue all existing insurance in force until there is time to meet and evaluate it. How-



The author, his wife Patti (who has multiple sclerosis), and their therapy dog Elvis travel across the country for two months every summer to educate planners, CPAs and lawyers on ways to better advise clients living with chronic illness and disabilities.

ever, if there are options to convert a life insurance policy that might expire, these should be addressed.

PLANNING CONSIDERATIONS

Consider the following when meeting with your client regarding a cancer diagnosis or the possibility of one:

- Should gifts be made to family members, or should all gifts cease because the funds may need to be preserved to pay for treatment?
- Are there reporting requirements under disability, long-term care or other insurance policies?
- Are there waivers of premium for life, disability or other policies that might be activated?
- Does the client have a taxable estate? Might the client's estate be taxable if there is a change in the leadership in Washington in 2020?

Depending on the diagnosis, estate tax planning and income tax planning will have to be tailored carefully. For

example, if client assets include a family business, it might be advantageous to sell the assets to a trust to reduce the value of the client's taxable estate. But that must be weighed against the possibility of retaining the business in the estate to obtain a step-up in basis.

Selling assets to a trust for an annuity can be a valuable planning technique. If an annuitant has a shortened life expectancy, the IRS can argue that the tables normally used to calculate the annuity amount are inappropriate. If the client's life expectancy has not been substantially reduced, a sale for a private annuity could result in a negative wealth transfer if the payments that the trust must make back to the client continue for a long period.

designate a trust, perhaps structured as a see-through trust, to protect those assets.

- Review all irrevocable trusts under which the ill client may have been given the right to designate who receives the trust assets. In many instances, these powers may be applied to allow trust assets to be included in the power holder's estate, thereby qualifying those assets for a step-up in tax basis upon the ill client's death.
- Be certain the client has up-to-date estate planning documents. Discuss with the client's attorney what flexibility can be integrated into those documents if they are revised, in case the client will not have the ability to modify them in the future. Addressing potential future tax laws is important for a client who may not be

If client assets include a family business, it might be advantageous to sell the assets to a trust to reduce the value of a client's taxable estate.

Cancer, by the Numbers

The disease touches the lives of many Americans:

- New cases of cancer, annually: 454.8 per 100,000 people.
- Annual cancer deaths: 171.2 per 100,000 people.
- Approximately 39.6% of men and women will be diagnosed with cancer at some point during their lifetimes.
- Cancer mortality is higher among men than women (207.9 per 100,000 men vs. 145.4 per 100,000 women).

Source: National Cancer Institute. Cancer incidence and death information based on 2010–2012 data.

- Review and reconsider all business and professional practice succession plans. What might have to change?
 - What magnitude of medical and related costs might the client incur personally, and how does that affect their planning?
 - What impact might the cancer diagnosis and treatment have on the client's ability to work now and into the future? How should planning be modified?
 - Whom will the client rely on for care, and what will the cost of that assistance entail?
- THE DOCUMENT REVIEW**
- All existing legal documents should be reviewed and evaluated. Here are some key matters to consider:
- Are beneficiary designations correct? If heirs were left interests in retirement plans directly, suggest instead that clients able to change provisions in the future. It may be useful to give powers to various people to modify terms of trusts, change distribution patterns or allow assets to be included in the ill client's estate (or not).
 - Health care documents, including the health care proxy designating an agent to make medical decisions, and a living will that sets forth the client's wishes for health care matters, should be updated. If documents were set up before the diagnosis was received, they should be revisited, as a client's outlook can change dramatically depending on the situation.
 - All shareholder, partnership, employment and similar business agreements should be reviewed. What types of salary continuation provisions are there? What happens if a client is unable to work during a period of treatment?



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UNDERSTANDING THE PROGNOSIS

To plan effectively once there is a diagnosis, the advisor must understand the specifics as much as possible.

Is there a relatively clear prognosis? This can be a difficult topic to broach with a client, but understanding any expected timeline can be of great help to clients and their loved ones. Here are some contingencies to be considered:

- Much shorter life expectancy. A very short life expectancy probably means that the client's estate planning documents, beneficiary designations and so forth should be reviewed immediately, even if this is inconvenient to the client.
- Moderate life expectancy. A somewhat longer life expectancy than in the first case might mean that the updating of documents can be deferred, at least for a few months.

If the client is expected to live more than one year, one strategic decision that may be worth taking is to have the client's spouse transfer all appreciated assets into the name of the ill spouse.

Then, if the ill spouse is able to survive one year after that action is taken, all appreciated assets transferred will receive a basis step-up on death, thereby eliminating any capital gains that had accrued before the transfer took place..

- Relatively long or normal life expectancy. A longer life expectancy might indicate significant tax planning opportunities. All the robust estate planning measures any client might consider may be reasonable to discuss and pursue.
- Impact of treatment. Chemotherapy, radiation, pain medications and so forth may make it difficult or impossible for a client undergoing aggressive treatment to make decisions or sign legal documents.

Thus, it is imperative that advisors understand the quality of life the client might have during his remaining time and the impact this may have on the client's cognitive abilities. The client's loved ones

may have to step in to handle the communications.

- Revise assumptions. In light of amazing advances in cancer research and treatments for certain scattered forms of cancer, the initial information concerning the client's condition may change as treatment proceeds.

Advisors should try to stay in periodic communication with the client or the client's family to obtain medical updates, as revised prognoses could have a significant impact on planning.

GATHER RELEVANT DATA

To properly advise a client, the advisor will need accurate information. They should obtain client permission to discuss relevant planning data with key family members in case this is necessary.

Often, because of the emotional stress or the impact of treatments, clients will be accompanied to medical meetings by a friend or family member. Encourage this friend or family member to take notes so they can help convey accurate information to the client and planner.

Many cancer patients will have a palliative care team assisting them. These teams often include a social worker or other professional who is trained and charged with communicating with the patient about financial matters. In many cases, this individual may be the ideal person with whom the advisor should communicate.

In some instances, it might be necessary for the advisor to communicate directly with the client's physicians. This will require an appropriate authorization, likely in the form of a Health Insurance Portability and Accountability Act (HIPAA) release.

A cancer diagnosis can understandably be very distressing for a client. Even discussing the possibility of such a diagnosis can be challenging for everyone. A proactive, sensitive and involved advisor can help clients understand how they can best manage this difficult life event.

Is there a relatively clear prognosis? Understanding any expected timeline can be of great help to clients and their loved ones.

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Martin M. Shenkman, CPA, PFS, JD, is a *Financial Planning* contributing writer and an estate planner in Fort Lee, New Jersey. He is founder of Shenkman Law. Follow him on Twitter at @martinshenkman.



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HIGH NET WORTH

Jump-Starting HNW Growth

LPL is trying to show advisors how they can use its resources to “get more at-bats” with prospective clients.

BY CHARLES PAIKERT

LPL'S PITCH TO ADVISORS TARGETING THE HNW market appears to be working: Assets from clients with more than \$5 million to invest have increased 44% in three years.

“We’re democratizing high-net-worth,” Gary Carrai, senior vice president of HNW solutions at LPL, said in an interview at the firm’s annual Focus conference in Boston. “We’re showing advisors that they can leverage our team and get more at-bats with HNW prospects.”

Carrai concedes that LPL “historically hasn’t been thought of as a high-net-worth destination.” But today, he argues, that perception “is more image than reality.”

LPL’s pursuit of the HNW market began in earnest five years ago, when the company acquired Fortigent, a reporting, due diligence and investment manager selection vendor with a glittering client roster of independent advisors.

Fortigent is now fully integrated with LPL, and Carrai,

who also serves as president of Fortigent, oversees the IBD’s high-net-worth initiative.

BIG JUMP IN HNW ASSETS

High-net-worth assets at LPL have jumped from \$27.5 billion in 2015 to more than \$38 billion so far this year.

A critical element in achieving that gain has been LPL’s 78-member Advanced Planning Exchange team, or APEX. “It’s a way for advisors with HNW clients to leverage LPL’s expertise,” Carrai says. “They’re subspecialists with a deep planning background who are on call to support advisors when clients need guidance in areas like estate planning, philanthropy and single-stock concentration.”

LPL has also been building up its two-year-old Private Client brand, Carrai adds. “We want the advisor to take the lead in the relationship with the HNW client but also know that LPL

is part of the team and that they have a solid brand behind them,” Carrai says.

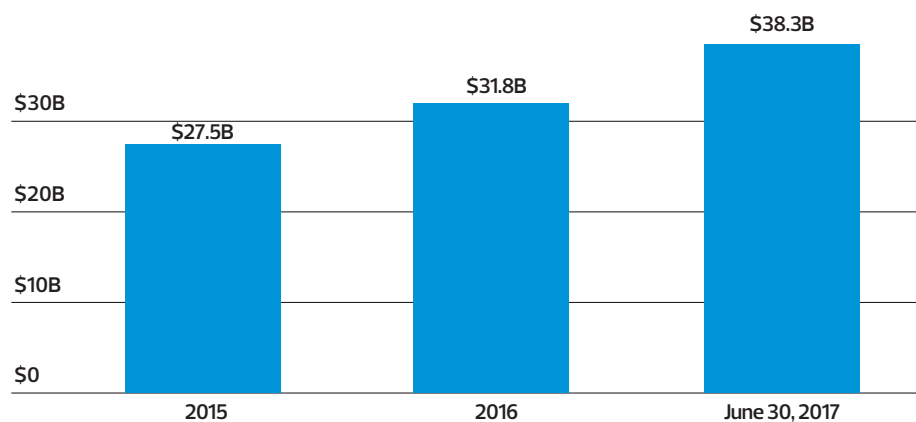
Carrai sees plenty of room for LPL to increase its share of the HNW market.

“Independents are winning more of this market because it’s becoming more Main Street and less Wall Street as solutions become more accessible,” he says. “It’s also a very complex and fragmented market, and we can provide the consolidated and aggregated performance reporting, technology and investment selection that high-net-worth clients need.”

FP

High HNW Growth for LPL

Assets from clients with \$5M or more is steadily increasing for the IBD.



Source: LPL Financial

Charles Paikert is a senior editor of *Financial Planning*. Follow him on Twitter at @paikert.

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LEAD GENE

Allan Boomer of Momentum Advisors has joined the ranks of experienced advisors who are mentoring new planners as they join a demanding but rewarding profession.

BY ANDREW WELSCH

Allan Boomer (center), who founded Momentum Advisors in 2012, stresses the importance of mentoring newcomers. His team (l. to r.): Kyle Pitts, Tiffany McGhee, Boomer, Tiffany Hawkins, Timothy Platt and Earl Carr.



RATION



Walk around any generic wealth management conference and it shouldn't take you long to notice that the industry has a diversity problem. The advisor population is overwhelmingly white, older and male.

At first glance, it appears that splashy, well-publicized efforts to attract more young people of diverse backgrounds to the profession still haven't taken root.

But that overlooks a quiet yet powerful transformation underway: Advisors have been rolling up their sleeves to mentor minority newcomers for planning careers, giving them the necessary tools to establish themselves.

Their efforts come amid renewed focus on diversity in the workplace and in U.S. society at large.

What professional mentors accomplish with support and guidance can have a far-reaching impact that lingers long after headlines about protests have faded.

Allan Boomer's independent firm, Momentum Advisors, is a reflection of where all this is headed: a group of professionals, of diverse backgrounds and ages, helping one another succeed in an industry that is challenging, but professionally and personally rewarding. "I'm really proud not just of our diversity, but the caliber of the team," he says.

Boomer, who got his start at Goldman Sachs in 2004, founded his New York-based firm in 2012. Since then, the staff has grown from just him to include nine other professionals, operating from two offices and overseeing more than \$300 million in client assets.

Tiffany Hawkins, the firm's managing director, says, "I feel like sometimes people think that there isn't room for them in this industry, that

they'll be going up against older white men. But there's plenty of room. You're not going up against anyone other than yourself."

Hawkins changed careers, having previously worked as an investment planner for the entertainment industry. She joined Momentum Advisors in 2014 and credits Boomer and her colleagues with helping her develop her financial planning skills.

"I'm black, a woman and I'm young," she says. "This is not your traditional wealth management person. So it's important to see people like you who are successful."

She adds, "When you see it, it's like someone put a cape on your back with an 'S,' and you feel like you can take over the world."

CONFIDENCE BUILDER

Financial planning has always been a tough industry for young professionals to establish themselves in, and mentoring has traditionally played a key role in helping many of the industry's best advisors and managers succeed.

Jason Bowles, an advisor at RBC since 2000, says that of the 30 recruits in his training class, only five survived

cate for you."

Momentum advisor Kyle Pitts says that Boomer, whom he has known since they grew up together in New Jersey, became one of his chief mentors when he joined the industry after studying engineering at Howard University.

"He's been in the business longer than I have, and I didn't have a business background. I had to transition over to this world, where he was already thriving," Pitts says. "That relationship is maybe less than a mentor-mentee, because we're building a firm together, but it's still accountability and foundational principles."

'KEEP THROWING PITCHES'

Even sharing a few words of encouragement can make a difference. Tony Barrett, a Philadelphia complex manager at Raymond James & Associates, credits his branch manager with helping him overcome the difficulties he encountered as a young advisor.

"For me, it was great that someone taught me how to build a book and find a target market," Barrett recalls. "But the things I remember most are the things that kept me in the seat."

He recalls a day early in his career

ADVISORS HAVE BEEN ROLLING UP THEIR SLEEVES TO MENTOR MINORITY NEWCOMERS FOR PLANNING CAREERS, GIVING THEM THE NECESSARY TOOLS TO ESTABLISH THEMSELVES.

the hard early years, when many advisors struggle to build a roster of clients.

"I think there is space and opportunity for minority advisors, and we need them," Bowles says. "It's not an easy job, but with passion and hard work you can be successful. It's critical to find the right fit with a company and a boss who will support and advo-

when, with frustrations mounting, he began to think about quitting. But his branch manager and mentor pulled him aside and reassured him that every young advisor goes through similar growing pains.

"When I was cold-calling, I was always told that the next call could change your career," Barrett says. "It's true. That call can turn into a cli-

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ent that gives you a ton of money or a ton of referrals. But you have to be in a position where you can keep throwing pitches.”

He adds: “When I mentor people, that’s something I always try to think about: What will instill confidence?”

Boomer also points to how confidence is essential to sticking it out in a profession where the first 49 prospects might reject you, before you land one as a client.

“The biggest thing I had as a 27-year-old; ... I’m going to call it false confidence,” Boomer recalls of his early days at Goldman Sachs.

“Maybe that came from working at a great firm. They really pumped me up and made me feel like I was the man. But eventually that false confidence was replaced with real confidence based on real competency.”

NOT ON TRACK

To be sure, the mentoring done by Boomer, Barrett and others are not isolated occurrences. Industrywide, wealth management firms and trade organizations are redoubling their efforts to attract newcomers from diverse backgrounds.

This renewed focus comes as the



Kyle Pitts (l.), who knew Allan Boomer as a child in New Jersey, turned to Boomer for guidance when he got into the advisory business and now works with him at Momentum Advisors.

and a mere 6% are African-American, according to data from the Bureau of Labor Statistics. Hispanics make up about 7% of the advisor population.

“We’re just not on track to reflect the diversity of the nation,” says Marilyn Mohrman-Gillis, executive

Beyond the work of the CFP Board and others, the greatest impact may be taking place at the grass roots, where mentors help young advisors turn imposing challenges into career milestones.

LEARNING TO THRIVE

To further explore the trends, *Financial Planning* reached out to black and African-American advisors for their stories about entering and learning to thrive in the wealth management profession, and for the advice that they have for young minority advisors seeking to join the business.

“The more people see diversity in the workplace, [the more it] will mean to kids who haven’t seen this as a path for themselves,” says Kobby Okum, an advisor at Edward Jones in Leesburg, Virginia.

Please see the following pages for his and other stories.

WHEN TONY BARRETT WAS STRUGGLING, HIS BRANCH MANAGER PROVIDED ENCOURAGEMENT. “THE THINGS I REMEMBER MOST ARE THE THINGS THAT KEPT ME IN THE SEAT,” HE SAYS.

United States itself is becoming more diverse. African-Americans constitute about 13% of the population, according to U.S. Census Bureau data. Hispanics, who can belong to any race, comprise roughly 17%, while Asians make up nearly 6%.

Yet the planning industry is still predominantly white and male. Less than one-third of advisors are women

director of the CFP Board’s Center for Financial Planning.

As part of its attempt to encourage more minorities and women to join the planning profession, Mohrman-Gillis says the CFP Board is currently conducting demographics research. The board is also planning a diversity summit for a yet-to-be-announced date in 2018.



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NWSIX

NATIONWIDE SMALL COMPANY GROWTH FUND

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NWKDX

NATIONWIDE GENEVA SMALL CAP GROWTH FUND

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NWGSX

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Out of 659 U.S. Small Blend Funds 3- and 5-yr rating 4 stars and 10-yr rating 3 stars out of 659, 558 and 395 respectively.



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NATIONWIDE CORE PLUS BOND FUND

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MUIBX

NATIONWIDE BOND FUND

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NWNSX

NATIONWIDE DESTINATION 2045 FUND

Out of 158 U.S. Target-Date 2045 Funds 5-yr rating 4 stars and 3-yr rating 3 stars out of 121 and 158 respectively.



NWOSX

NATIONWIDE DESTINATION 2050 FUND

Out of 176 U.S. Target-Date 2050 Funds 5-yr rating 4 stars and 3-yr rating 3 stars out of 141 and 176 respectively.



NTDSX

NATIONWIDE DESTINATION 2055 FUND

Out of 145 U.S. Target-Date 2055 Funds 5-yr rating 4 stars and 3-yr rating 3 stars out of 93 and 145 respectively.



NWWKX

NATIONWIDE INVESTOR DESTINATION MODERATE CONSERVATIVE FUND

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Allan Boomer

Managing partner, Momentum Advisors



Now 40, Allan Boomer got his first taste of the financial planning business when he was just 18, during an internship at a Merrill Lynch's facility where client statements were printed.

"Really, it was the mailroom," Boomer says, laughing.

But the internship program, which was designed to give young minorities an entryway into the corporate world, was what enticed Boomer into the wealth management profession.

While studying at Morgan State University in Baltimore, he continued to intern with Merrill Lynch, and took a job as a supervisor with the company upon graduation. He landed his first position as an advisor at Goldman Sachs in 2004.

For some newcomers, it can be daunting to choose a career where you're surrounded by wealthy people, says Boomer, who also has an MBA from the NYU Stern School of Business.

"I personally did not come from a wealthy background," he says. "I didn't have friends who did either."

"But that's what intrigued me about it. I wanted to

know what the secrets were to building wealth, and I wanted to share those with other people," Boomer says.

He started an independent advisory firm, Momentum Advisors, in 2012, and now his nine-member team advises on more than \$300 million in assets.

Momentum has offices in Manhattan and Somerset, New Jersey, near the site of Boomer's original internship with Merrill Lynch. "Now I own my company and I could throw a stone to my own old building," he says.

Boomer urges new planners joining the profession to keep improving and learning. "You cannot rest on your laurels in this business," he says.

Most important, he adds, don't limit yourself or let yourself be limited by others.

"I think a lot of times, black advisors tend to think that they need to go after black clients. We have a very diverse book of clients: black, white, women, old and young."

"Early on," he recounts, "I had interviewed to become an FA with a white advisor. He told me, 'I'll take the white clients; you take the black clients.' What sense does that make? Why pigeonhole me that I can only work with a certain class of clients?"

"My biggest advice is don't look at yourself like a black advisor," Boomer says.

"You're an advisor. It should not matter to you that you are black. It might matter to someone else, but it should not matter to you."

Tony Barrett

Delaware Valley complex manager, Raymond James & Associates



Fresh out of college and trying to build a book of business in a place far from home, Tony Barrett says he struggled against a seemingly insurmountable obstacle: his own fears.

"I was scared to death to get in front of people, because for the first time in my life I felt like a minority," says Barrett, who began his career in the early 1990s in Richmond, Virginia — a Southern city with little in common with his native Toronto.

"I had never felt that before growing up or in college. Now I was living in Richmond, and I felt like a minority and it wasn't cool at all," he recalls.

With little success, Barrett concentrated his efforts on attempting to find clients in the black community.

"I had no confidence in my ability to get in front of largely older, white investors in the South. So I did no social networking initially, no seminars, even though I had public speaking training," he says.

The timely intervention of his branch manager helped him turn things around.

"He said, 'The only color you need to be worried about is green. Your business planning should not be centered around the color of their skin, it has to be centered on whether they are a good client for you,'" Barrett remembers.

Barrett is now a Philadelphia-based complex manager and has one piece of advice for young advisors: Everybody faces difficulties in this industry.

"Any success I've been able to achieve has nothing to do with how smart I am," he says. "It has to do with resilience. If you want to be successful in this business, you need to be resilient."

Kobby Okum

Advisor, Edward Jones



Kobby Okum was studying to be a dentist after he met an Edward Jones advisor by chance, when he stopped at the advisor's office to ask for directions.

The 33-year-old son of immigrants from Ghana, Okum says he had no exposure to the wealth management industry, but that serendipitous meeting set him on a different career path. Okum, a native of Appleton, Wisconsin, has been an advisor at Edward Jones for roughly a decade.

Okum loves what he does, but given the paucity of minority advisors industrywide, he admits for many it's as if this profession is a secret. "From the outside it can look intimidating," he acknowledges.

A lack of role models for young would-be advisors, he says, is a big part of the problem.

"The more diversity people see in the workplace, [the more it] will mean something to kids who haven't seen this as a path for themselves," notes Okum, who operates from Leesburg, Virginia.

Youth can also be a hindrance, says Okum, a University of Wisconsin alumnus.

"A lot of the industry does not look like me. If I am in a room with another advisor — someone who is brand spanking new, but they are 50 years old with gray hair — they will be perceived as having more experience," he says, "because they fit the profile."

But getting into the business is just one hurdle to overcome; growing a practice can be even more challenging. Reflecting on his experiences, Okum says that the work can be mentally demanding.

"This is such an emotional job. You have to taper down your highs and taper down your lows," he says.

Okum also suggests younger advisors seek out mentors and role models to emulate. And he emphasizes the importance of maintaining the discipline to keep at it, again and again.

"It's hard to believe that something that isn't working is going to work," he allows. "It's a faith business in the beginning. You have to believe."

But, most important, Okum says he wants industry outsiders to see this profession as open to them. "My whole dream is that people will read this and think, 'This is not out of my reach.'"

Jason Bowles

Advisor, RBC Wealth Management



Of the roughly 30 entrants in advisor Jason Bowles' training class 17 years ago, only five survived in the industry, he says.

"I was fortunate in that I had a manager who really believed in me," the 48-year-old Edina, Minnesota-based advisor says. "I think regardless of race you need to have an advocate on your side. You need someone in your corner."

In Bowles' case, his manager provided critical encouragement and support, a necessity, he says.

"I think there is space and opportunity for minority advisors. And we need them," he continues. "It's not an easy job, but with passion and hard work you can be successful. It's critical to find the right fit with a company and a boss who will advocate and support you."

During the course of his career in wealth management, all of it spent with RBC, Bowles says he never faced overt discrimination.

"Maybe there were people or prospects who didn't want to work with me because of my race, but they never said that to my face," he says.

But Bowles says that transitioning into this business wasn't easy.

His first career was as a financial analyst at food manufacturing giant Pillsbury. When he began working as an advisor, he took a pay cut. It took about four years, he says, to reach the same level as his previous salary.

His experience has taught him that new advisors need to be flexible, Bowles says, given that there is no single recipe for success.

"There are 35 people in my office," he notes, "and they've all built it differently."

The most critical thing, he adds, is to have commitment.

"What drove me was that I had a passion for it," Bowles says. "Yes, it's potentially a good way to make a living, but you have to enjoy sitting down and working with people on their financial lives — blue, green, white or black, it doesn't matter. If you don't have that, it's going to be very difficult."

Ted Reid

Wealth advisor, Morgan Stanley



Joining the business just before the 1987 stock market crash, Ted Reid's career endured a rough start. His tender age didn't help any either. "I had a very difficult time. I was 21 years old, and I looked like I was 15," he recalls.

Reid, who has been with Morgan Stanley and its predecessor firms for nearly 31 years and has been involved in the firm's multicultural leadership summit, says he failed at first to make inroads with his attempts to break into various niche markets: first architects, then engineers, followed by auto dealers and franchise owners. "I realized I had nothing in common with them, so it didn't work," Reid recollects.

By chance, however, he began attracting professional athletes as clients through connections he had made via his former roommate, a one-time NFL player.

"While I was searching for a target market, I was

spending all this time with these ball players and helping them without thinking that they could be my target market," says Reid, who's based in Marlton, New Jersey.

By 1991, his practice had turned a corner, and other advisors turned to him for advice when they struggled.

Six years later, Reid decided to take a broader approach to offering his advice.

"I went to my manager and said, 'I want to hold a meeting for all the African-American brokers in this region, and I will talk about some of the challenges I faced, but, most important, about how not to see being an African-American as a disadvantage,'" Reid recounts. My manager said, 'There's a restaurant downstairs in this building. Here's my credit card. Take them all out to dinner.'"

Reid suggests that new entrants to the wealth management business make an effort to work with underappreciated client segments.

"Figure out what you enjoy, besides sports and entertainment, and create a niche in that space," he says. "That is what will make you different."

Adele Gipson

Financial advisor, CPC Advisors, an independent firm affiliated with Raymond James Financial Services



2008 would seem to be an inauspicious time to embark on a career in financial services. But Adele Gipson, who wanted a job as a planner after working as an accountant, says she had two advantages: She had years of professional experience under her belt, and she opted to join an existing firm, CPC Advisors, rather than attempt to go out on her own. "It helped to join a larger organization," she says.

She now serves over 150 households, and having the larger team's structure as a foundation was critical to her early success. "I started out building a book," Gipson says, "but I had the cushion of supporting the firm's financial planning efforts."

Earning her CFP designation from the get-go was another key move. "As a black female," Gipson says, "you do have to recognize that there are perceptions, whether

positive or negative, that you have to overcome. I think you've got to recognize that. I also hold a CPA, [so] I have been able to put the technical competency to the side."

The business can be extremely tough for young entrants, the Atlanta-based advisor says. "It's hard because you don't have an established network of people, unless perhaps you went to a more prestigious school, where you can leverage those kinds of relationships." (Gipson graduated from Christian Brothers University.)

Although career changers like her can tap their existing professional networks, that's all the more reason, she says, to get additional professional designations.

Newcomers, she adds, also need to pay heed to the psychological component of the business.

"A lot of what we do is manage client behavior," she says. "Part of that is drawing on what they are saying, but also *not* saying. So it's not just the technical, but the soft personal skills that you need."

Gipson also suggests working with a mentor.

"Our founder was instrumental to my success. If you don't have [that person] within your organization, find someone."

FP

Campaign to Increase Diversity

“I Am a CFP Pro” seeks to build awareness of the planning profession among millennials, women and people of color.

BY KENNETH CORBIN

Taking aim at the ongoing lack of diversity in the field, the CFP Board has launched a series of initiatives intended to produce a younger and more representative workforce.

The new campaign builds on an earlier one that focused on recruiting more women into the profession.

“It’s really a launch to build awareness of the CFP certification among millennials, women and people of color,” says Nancy Kistner, chairwoman of the CFP Board’s Women’s Initiative Council. “This campaign was designed to spread the message that the future of financial planning depends on the participation of these communities in order to grow, thrive and remain responsive and relevant to the public that it serves.”

The “I Am a CFP Pro” campaign includes brief videos spotlighting the stories of young CFPs. It will have a website offering toolkits for firms and schools to support recruiting efforts for professional and educational programs. The videos aim to play up some nonfinancial aspects of the business, such as building relationships with clients and enjoying a career with a reasonable work-life balance.

Such messaging is needed to bring in new people, says CFP Board Chairman Blaine Aikin, who’s also executive chairman of the fiduciary training firm Fi360. Just 23% of active CFPs

today are women. Among people of color, the figure is “significantly less than that,” he adds.

While there have been healthy gains in demand for financial advice in recent years, the industry’s aging workforce calls into question firms’ ability to sustain their service model, Aikin argues. Currently, there are more CFPs over the age of 70 than younger than 30.

“The financial planning workforce is both aging and it’s shrinking, so it’s becoming increasingly difficult to keep up with the demand,” he says. Minorities are expected to make up



The “I am a CFP Pro” campaign includes videos featuring CFPs Rianka Dorsainvil (left), Justin Sullivan and Brittney Castro.

more than half of the U.S. population by 2043, he says, and “our profession is really not on track to meet this — the population that it must serve really to be relevant going forward.”

Of course, the CFP Board is inherently limited in its ability to increase diversity. For starters, it cannot com-

pel firms to hire more women and minority planners. After launching its Women’s Initiative, the CFP Board acknowledged the limitations of the bully pulpit, stating that “simply making recommendations for increasing the number of women CFP professionals will not, in and of itself, get the job done.”

So the board has been looking to forge closer ties with industry partners. This spring, it announced that five firms would roll out internships courting women and minorities through a pilot program the CFP Board developed with the career re-entry firm iRelaunch.

Brittney Castro, who runs Financially Wise Women, a Los Angeles RIA, is a young CFP featured in the campaign videos. She sees the potential for the board to broaden its diversity message to college campuses. “It would be amazing to teach more individuals that this is a real profession,” Castro says.

As a business owner, she thinks the initiative can bring additional resources to advisors who may not have them otherwise. “I think that’s one of the biggest reasons [older advisors] are not doing it — because they don’t have the bandwidth to take on a junior partner or train somebody from the ground up,” she says. **FP**

Kenneth Corbin is a *Financial Planning* contributing writer in Boston and Washington. Follow him on Twitter at @kecorb.

PRACTICE

ALSO IN PRACTICE: P. 52: 'This Is Not Going to Work' | P. 54: A Firm May Not Be Safe

Redeeming the Team Meeting

It's tempting to skip that regular gathering, but advisory firms may be losing efficiencies if they let them slide.

BY MICHAEL KITCES

WE'VE ALL SAT THROUGH UNPRODUCTIVE TEAM meetings. At worst, they fill your day – and waste your time – so there's little time left to actually get meaningful work done.

Good meetings, however, can keep your team accountable and focused on the right priorities, while providing a crucial forum for collaboration. The real problem is not with team meetings themselves, but with bad team meetings.

I'll admit I was a long-time skeptic of having a weekly

staff gathering – having spent an incalculable amount of my own time in unproductive meetings over the years – but have ultimately found that the pulse of the event really does become the heartbeat of the business as it moves forward.

PAIN POINTS

In a growing business, meetings are inevitable. The larger the business, the more plentiful the meetings tend to be. Throw in

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outside activities and volunteer efforts, and it may feel like you spend more time discussing what to do in meetings than actually doing anything.

But that doesn't mean it's a good idea to skip having meetings altogether. Meetings at their most basic level are about facilitating communication and solving problems — clear priorities for any business. Not to mention the value of using them to keep everyone on the same page about key metrics and progress toward goals.

BUILDING 'TRACTION'

Entrepreneurship expert Gino Wickman makes the case in his book, *Traction*, that one of the most common problems for businesses is their lack of effective weekly meetings. Wasted time is just the most obvious problem. The more nefarious one is build-

ing a business that literally can't get traction to progress toward its goals, because there's no means for keeping everyone focused.

Wickman suggests a 90-minute weekly staff meeting that provides for both problem-solving and accountability. (Review his seven-item standing agenda.)

The segue is simply the kick-off to gets everyone focused. It might include a check-in — "How's everyone doing today?" — and ideally includes a chance for team members to share something positive, whether it relates to the meeting's substance or not.

From there comes review of the scorecard, a summary of the key data or metrics for the business. This might include the number of new and lost clients (or assets, or revenue) for the month or quarter; the number of cli-

ent meetings you've had; the number of client plans you're working on, the number of prospects in your sales pipeline, or the number of transfers your staff is processing. Essentially, the scorecard reflects whatever key performance indicators that help you know where the business stands.

The next step is the rocks review. In this context, "rocks" refers to the famous Stephen Covey analogy. If you place the big-idea rocks in a bucket first, there's room to fill in the gaps with pebbles and sand. Whereas a bucket filled first with pebbles and sand is packed so full it can't hold any important rocks.

To ensure effective meetings, everyone should know what their big rocks are — their priorities for the week/month/quarter — and be able to quickly report their status. Next

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comes client/employee headlines, such as notable news from interactions with the firm's clients or other staff members. This could be pointing out something good, a problem to be aware of, or something that is otherwise noteworthy.

The to-do list section is a chance to review the status of the prior week's action items. Because these are intended to be reviewed, and usually completed, every week, they should be bite-size. Notably, the primary purpose of this section is accountability – not to rehash the details of each to-do list item, but simply to affirm whether they're

issues are often byproducts of bigger ones.

This may lead to more to-do list items to be tackled for the following week, and some issues that get carried forward to the following week's IDS phase – but only those that weren't deemed important enough to be resolved in the current week. In the advisory context, this could be solving a software problem, onboarding a new employee, handling a complex client problem or brainstorming how to fix a process that isn't working.

The conclusion of the weekly meeting should recap the to-do list items assigned for the following week, unresolved issues that may carry over to the following week and a brief discussion about whether any meeting outcomes should be communicated – a message to a particular client, a new initiative to all clients or a new policy to be communicated to staff.

Notably, the total breakdown of Wickman's meeting template includes a mere 30 minutes on six of the seven phases of the meeting, and 60 minutes for the IDS phase, where the team problem-solving actually occurs. In other words, the meeting is one-third communication and accountability, and two-thirds problem-solving. This split is deliberate,

as the No. 1 failing for most meetings is the feeling that nothing is getting done. Doing real problem-solving in a meeting provides a sense of progress and accomplishment.

Solving big problems tends to make other problems go away, as small issues are often byproducts of bigger ones.

The 90-Minute Meeting Fix

Wasting time is just one of the many problems with weekly team gatherings, says entrepreneurship expert Gino Wickman in his book, *Traction*. Below is his suggested agenda.

	Time
Segue	5 Minutes
Scorecard	5 Minutes
Rocks Review	5 Minutes
Client/Employee Headlines	5 Minutes
To-Do List	5 Minutes
Identify, Discuss, & Solve Problems	60 Minutes
Conclusion	5 Minutes

Source: Gino Wickman, *Traction*

done or not. If not, they should be completed the following week. If a bigger issue is blocking completion, that can be discussed in the next section of the meeting.

Wickman then suggests focusing on IDS, an acronym for Identify, Discuss and Solve problems. This is where everyone comes together to actually resolve any issues that have arisen in the prior stages of the meeting. Notably, the first step to the IDS phase is simply identifying not just what the issues are, but which are most significant – given that a growing business may easily have more issues to resolve than there is time in the meeting to resolve them.

By prioritizing the most crucial tasks, however, the team will by definition be solving the most important problems first. As a fringe benefit, solving big problems tends to make other problems go away, as small

A CONFESSION

I admit I long resisted adopting a formal weekly meeting process. Having lived through too many unproductive meetings, I was not eager to voluntarily institute a burden on myself and my team.

Yet having finally made the transition, I now see the power of the standing weekly team meeting – albeit with a few tweaks:

- A review of weekly (and monthly) business data
- Review task list
- Monthly projects (my "rocks")
- Reprioritize for the upcoming week
- Weekly to-dos (clients, internal business

projects, etc.)

- Other business/staff issues

The meetings are scheduled for an hour, and although I don't specifically articulate it in the agenda, time is really spent not just reviewing the task list, but digging into problematic to-do items.

The whole experience, and Wickman's book, have taught me that the primary problem with most meetings is that they leave no time for actual problem-solving. Instead, the whole meeting is usually spent just reporting. Ever attended a meeting where nothing substantive was talked about? Exactly.

For our purposes, data tracking comes directly from our business software – as well as some light massaging of the data in an Excel spreadsheet – and the weekly to-dos and prioritizing comes from our team's task management software (CRM or project management tools). As weekly meetings have become habit, we sometimes take a few minutes just to focus on how to make it easier to prepare the standard reporting for the meeting itself. We've also been working to automate reporting of some key business metrics.

Overall, by taking a few minutes every week to redirect the team's priorities, I can ensure that we're always working on whatever I truly believe is the highest and best use of the team's energies.

4 ESSENTIAL TIPS

Ultimately, you may decide to adopt Wickman's weekly meeting agenda verbatim, or to craft your own. Whatever your path, I would argue the four essential areas for weekly meetings are:

Data reporting. What are the KPIs for your advisory business? If you're not sure, start tracking a few (e.g., new clients, new AUM/revenue, lost clients, prospect meetings, etc.) and adjust based on whether you're finding them meaningful. Discussing them in a weekly meeting context will quickly accentuate whether the data are relevant (and if not, what would be).

To-dos. This is crucial for accountability.

What were the tasks from last week? Which ones are getting checked off? Which are getting carried over? What are we adding? Ideally, this is directly informed by the assigned tasks in the task management/workflows from your CRM, but at minimum, keep track of key to-dos separately so you can report on them easily at the weekly team meeting.

Prioritizing. For me, this is about ensuring that the team works on whatever is most important for the week – which may vary from week to week, as some projects are paused and revisited later. From Wickman's perspective, this is where you renew your focus on the rocks that have to be "piled" in the current month or quarter, to ensure the business is meeting its big objectives.

Problem-solving. Leave time – a lot of time – in each weekly meeting to actually solve whatever issues have cropped up in the intervening week and prepare for the coming week's priorities, as well as responding to any data tracking that caused concern. If you follow Wickman's rule, this should be allocated two-thirds of your meeting time.

Additionally, one of the biggest keys to the success of the weekly team meeting is scheduling it at a fixed time, and expecting everyone to honor that obligation. Our weekly meetings are at 10:30 a.m. on Mondays – enough time for everyone to get oriented at the beginning of the day, including preparing the meeting agenda and the weekly data reporting – before discussing the coming week's activity and obligations.

In my case, this was part of my broader personal initiative to regain control of my time and schedule by crafting a more rigorously structured, standard meeting schedule.

Beyond helping schedule and manage time though, a standing weekly meeting forms the basis for accountability. When everyone knows the weekly meeting is coming and everyone will be held accountable, things get done.

The meeting effectively becomes the deadline for weekly tasks – and there's nothing quite like the power of a deadline. **FP**

When everyone knows the weekly meeting is coming and everyone will be held accountable, things get done.

Michael Kitces, CFP, a *Financial Planning* contributing writer, is a partner and director of wealth management at Pinnacle Advisory Group in Columbia, Maryland; co-founder of the XY Planning Network; and publisher of the planning blog Nerd's Eye View. Follow him on Twitter at @MichaelKitces.

‘This Is Not Going to Work’

Key warning signs that indicate a prospective client might turn out to be a poor fit for your practice.

BY INGRID CASE

WHEN A CLIENT PROVES TO BE A POOR FIT FOR A planning practice, a smart planner lets that client go. An even smarter planner screens potential clients before committing.

Many practices rely on websites and emails to describe the services they offer and the types of clients they serve.

“If they like what they see, I schedule a call with them where I find out more about their circumstances,” says Craig Larsen, founder and president of AHC Advisors in St. Charles, Illinois. “If they may be a fit, we then schedule an in-person meeting to help them learn more about us, and we learn more about them. If they still like what they hear, then we schedule a second meeting to go over our investment philosophy and approach in detail. At that meeting, it is pretty clear to everyone if we are a fit for each other.”

In these conversations, Larsen and planners like him listen for potentially deal-breaking answers to questions.

DOES HE NEED WHAT YOU HAVE?

Metaphorically speaking, if a planner is a dentist but the client needs a surgeon, the relationship won't work.

“I don't require that potential clients be financial experts, but when they say, ‘My finances are a complete mess,’ a red flag goes up,” says Cathy Curtis, owner of Curtis Financial Planning in Oakland, California.

“If they mean that they don't understand investing or what to do with their 401(k) accounts, that's fine. If they mean that they are on the edge of bankruptcy or have tons of credit card debt, those aren't my areas of expertise. Their problems just aren't in my wheelhouse.”

IS HE TOO FOCUSED ON FEES?

Prospects who want to argue about fees before they're even clients aren't usually worth a planner's efforts, says George

Gagliardi, a planner in Lexington, Massachusetts.

After whining about Gagliardi's fees, he says, these prospects often suggest something like, “‘We'll give you a small piece of our assets.’ That's a small price for a large headache, plus now they can mimic my setup in the rest of their portfolio,” he says. “I'm a professional and would like to be treated as such.”

Clients who try to negotiate Curtis' fee may also try to get more than she offered or expect a direct discount. The worst fee-sensitive clients may end up stiffing you for your fee. “That's a disaster,” Curtis says — and good reason to screen carefully up front.

5 Ways to Screen For Trouble

Keep an eye out for prospects who:

1. Are too focused on fees
2. Won't let the planner plan
3. Don't need what you offer
4. Chase performance
5. Aren't likable

DOES HE CHASE PERFORMANCE?

“If all they care about is performance, that's not going to work,” Gagliardi says. “Trying to meet clients' financial goals with risk-managed returns is what I do. A guy came up to me at a town function and said, ‘Can you beat the market in good times and not get hurt during bad times?’ No, and that's not my job.”

People who can't resist the next hot investment or want to guess what the market will do are also a problem, says Scot Stark, owner of Stark Strategic Capital Management in Freeland, Maryland. “There are people who yearn for you to forecast the future, and I have colleagues who do that, emphasizing the outlook for the Fed, the economy and so forth,” he says. But prognostication isn't what Stark does.

Like most planners, Gagliardi says he wants to work with clients who can take the long view. “When someone looks at a week's performance and freaks out and won't listen to a reasonable discussion, it tells me that this is not going to work,” he says.

Performance chasers often reveal themselves in stories

about their former planners. Ask whether a prospective client has worked with an adviser before.

If so, what happened to that relationship? Some people fire multiple advisers, Curtis says, because of unreasonable expectations for portfolio performance.



"If a prospective client says, 'My finances are a complete mess,' a red flag goes up," says Cathy Curtis of Curtis Financial Planning.

WILL HE LET THE PLANNER PLAN?

Socially responsible investing preferences are one thing. Micromanaging is another.

"A guy came in and said that his wife knows about this stuff and doesn't like this fund and that fund," Gagliardi remembers. "I can tailor a portfolio, but this was an early warning sign."

Curtis asks prospective clients how they've been managing their money thus far. "If they say their father or their brother has been managing it, that's a huge red

flag," she says. "The money will move over and all of a sudden they will tell me that I can't sell this stock or that stock, because their father bought it for them."

Stark cringes when he meets know-it-alls. Correct them, and they're offended. "These people are usually men, because

men are usually more macho about their money. You want clients who are delegators and good listeners," Stark says.

DO YOU LIKE THEM?

You don't need to be friends with your clients, but you do need to like them enough to work with them.

"Some folks are just plain difficult," says Erika Safran, owner of Safran Wealth Advisors in New York. "Their expectations about their finances are clearly unrealistic, and the attitude with which they present their expectations can hint at future discord in our relationship. You raise your voice at a meeting and the meeting is over."

Larsen takes that policy a step further. "If a prospect treats any of the staff rudely, then we don't work with them.

Period," he says.

It's hard to turn away work, especially when your practice is relatively new. Stand firm, these planners say.

"It's very difficult to turn away clients who could improve your bottom line, but if the cost to me and my practice is frustration, lost time and an unsatisfied client, then it is better to break off the engagement than to suffer a painful marriage and a predictable divorce," Gagliardi says.

FP

"It is better to break off the engagement than to suffer a painful marriage and a predictable divorce," says George Gagliardi.

Ingrid Case, a *Financial Planning* contributing writer in Minneapolis, is a former senior editor for *Bloomberg Markets* magazine. Follow her on Twitter at @CaseIngrid.

Why Your Firm May Not Be Safe

The SEC finds that advisors are missing the mark on protecting their practices against cyberthreats.

BY KENNETH CORBIN

ADVISORS HAVE MADE STRIDES AGAINST CYBER- threats — but it may not be enough.

After its latest wave of exams, the SEC's Office of Compliance Inspections and Examinations found the results are a mixed bag when it comes to how firms are working to protect sensitive systems and client information from hackers.

So far, the SEC has handled cybersecurity issues largely through the deficiency letters it issues advisors after an exam and issuing risk alerts.

ENFORCEMENT ACTIONS 'A MATTER OF TIME'

In May, in response to the WannaCry ransomware attack, the SEC issued a risk alert urging firms to check their systems to make sure that the necessary patches had been installed. Advisors should expect the regulator's attention to this matter to grow.

"We do feel it's only a matter of a time before we begin to see a new round of enforcement actions related to cybersecurity," says G.J. King, president of the advisor consulting firm RIA in a Box. "Arguably, cybersecurity poses the single greatest risk to all clients of all RIA firms."

First, the good news: After reviewing the cyberoperations at 75 RIAs, BDs and investment companies, OCIE reported "an overall improvement in firms' awareness" of cyber risks and the near-universal implementation of programs to mitigate the risks. Almost all of the firms examined run routine risk assessments intended to flag potential threats.

However, there were two areas within which there is much room for improvement. Here are the key takeaways for firms to consider.

TOO STATIC AND UNSPECIFIC?

While a large majority of firms examined had written cyberpolicies in place, OCIE found that many of those documents were generalized and vague. It's important that policy is "reasonably tailored" to a firm's unique risks and operations.

Additionally, it's important for firms to adhere and



enforce their policies and procedures. Comprehensive documentation is also important.

Firms with lax policies appeared to treat their cybersecurity policies as static documents, according to OCIE.

The SEC does not have a specific rule on the books dictating what firms' cybersecurity policies must look like, but many of those issues are covered by the rule on client privacy protections known as Regulation S-P.

TRAINING FOR ALL: PROTECTING EMPLOYEES

In its latest sweep, OCIE found that many firms had deficiencies in that area as well, such as the use of antiquated computer operating systems that were no longer supported with patches and the failure to act on issues identified through vulnerability probes or penetration testing.

Because cyberthreats are constantly evolving, examiners expect programs to be current and continuously updated. The regulator reported that, in many instances, even firms that had established provisions for reviewing their policies failed to do so frequently enough.

Firms should provide employees with proper guidance

on cybersecurity, as they are often the first line of defense against a potential strike by hackers. OCIE examiners found cases of firms with policies requiring cybersecurity awareness training for all employees where there was no follow-through.

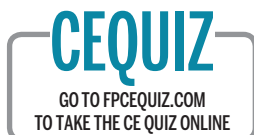
There were also instances where cybersecurity policies were contradictory to business operations and best practices, potentially putting employees in a bind.

It's imperative that firms protect their employees and should provide regular training throughout the year as cyberthreats evolve.

FORWARD THINKING

While OCIE seems to understand that cyberattacks may be unavoidable, examiners are expecting firms to think through how they would respond to a breach so they are not caught flat-footed if an incident does occur, according to Bryan Gort, an associate attorney at the legal and compliance firm Parker MacIntyre.

"OCIE realizes it is impossible for investment advisors and broker-dealers to foresee every cyberattack and stop them before they happen," Gort wrote in a blog post in June. "However, OCIE also acknowledged and emphasized that adequate preparation to deal with cybersecurity issues, such as establishing a rapid response capability, may help firms to minimize the effect of cyberattacks and any secondary effects on investors and clients," **FP**



SEC CYBERSECURITY PUNCH LIST

The SEC has made no secret it expects advisors and brokers to ramp up their policies and procedures to guard against cyberattacks. Now, after a second wave of examinations focusing on firms' defenses, the commission's Office of Compliance Inspections and Examinations has produced a risk alert detailing the do's and don'ts for firms.

KNOW YOUR WEAKNESSES

OCIE examiners praise firms that have "taken a complete inventory" of their data and information assets, and identified the potential risks to their systems, including those that could arise from third-party vendors.

STICK TO THE PLAN

While almost every firm conducted some type of risk assessment, SEC examiners found that some were failing to adhere to their own policies. For example, many firms had policies calling for annual or ongoing security reviews, but in practice conducted those evaluations less frequently.

MAKE IT SPECIFIC

Too many firms seem to be relying on off-the-shelf check box compliance programs that are downloaded from the internet, OCIE examiners found. Some firms were relying on policies that were vague and not "reasonably tailored" to the firm's operations, meaning they were of limited value.

SET YOUR STAFF STRAIGHT

OCIE found that some firms "created contradictory or confusing instructions for employees" that could put cybersecurity concerns at odds with the business operations. In particular, the commission learned that some firms struggled with inconsistent policies governing remote client access and transferring funds.

FOLLOW THROUGH ON EMPLOYEE TRAINING

While firms typically required employees to undergo cybersecurity training, OCIE found that some did not actually ensure that those sessions were completed.

KEEP TECHNOLOGY UP TO DATE

Some firms were falling down on system maintenance, the OCIE reported. They used older, unpatched operating systems and failed to address the vulnerabilities identified in the penetration tests that they conducted.

LOCK DOWN ACCESS TO SYSTEMS AND DATA

The firms that maintained strict policies governing who has access to what type of data were ahead of the game on cybersecurity, the OCIE found. Successful practices include "acceptable use" policies clarifying employees' responsibilities when using company systems, and promptly shutting down access for employees when they leave the firm.

HAVE A RESPONSE PLAN

OCIE praised firms that had a plan for how to respond to a cyberattack. If hackers breach systems and compromise sensitive information, the firm can minimize the damage by having a protocol for what actions to take and whom to contact.

SET THE TONE FROM THE TOP

OCIE indicated that members of a firm's senior management must be involved in vetting and approving cybersecurity policies and procedures. In other words, cybersecurity must be considered first and foremost a business priority.

Kenneth Corbin is a *Financial Planning* contributing writer in Boston and Washington. Follow him on Twitter at @kecorb.

Look Who's Talking

The technology behind Amazon's Alexa voice service will converse with a client, understand the request and deliver what's needed.

BY SULEMAN DIN

ALEXA, MANAGE MY PRACTICE.

Advisors wondering how Amazon will enter wealth management should look to its cloud computing arm, Amazon Web Services, which is pitching the natural-language-processing, machine-learning brain behind its voice interactive service to wirehouses, broker-dealers and robo advisors.

Already, UBS has partnered with Amazon to enable callers, both clients and nonclients, to get answers to financial and economic questions through Alexa, the female voice associated with the Amazon Echo devices.

LPL's CEO Dan Arnold gave a thumbs-up to the idea of integrating Alexa into the workflow of advisors. Fidelity is testing Amazon Web Services applications, and Capital One is already a customer. Betterment is using 20 different applications as well.

Still, planners might be forgiven for wondering what use a cylindrical little electronic device could be to their practice. In fact, there are a variety of ways that the technology underpinning Alexa is likely to spread throughout wealth management, industry experts say, as it automates client interaction and even advice requests.

"Many important platform shifts start out looking like a toy and then become the primary way that the younger generation communicates," says Lex Sokolin, director of fintech strategy at Autonomous Research. "Look at mobile apps, social networks and now conversational interfaces and virtual reality. It's those companies that innovate at the edges that can capture new customers."

'THE NEW ROCKET SCIENCE'

Indeed, at the cavernous Javits Convention Center in mid-August, a room set aside for presentations on applications of Amazon Web Services for the financial services industry was packed all day, with lines of attendees waiting to get in.

Explaining to the crowd how Alexa's cloud-based brain, Amazon Lex, can be used by financial firms, Felix Candelario, a solutions architect at Amazon Web Services, didn't



soft-pedal its capabilities. "Natural language processing is the new rocket science," he said.

That's the ability to have a conversation with a client, as any human representative would, and still understand any request correctly and deliver the service they have asked for.

The examples demonstrated were simple but colloquial: "Cool. Can I transfer 100 bucks from my checking to savings account?" But firms can in fact use the platform to handle more complicated requests, Amazon says, noting the system is constantly learning.

So, how could Alexa answer this question: "I have a 401(k) and I want to roll it over into an IRA, which one is best?" Hanybal Jajoo, global account solutions architect at Amazon Web Services, explains the request would go through the chain of conversational chatbot, to Amazon Lex and then an event-driven serverless platform (a computing platform) called AWS Lambda. It would be matched up with the customer's information based on his or her profile.

"It would provide the opportunity to prompt the user for additional information," Jajoo says. "The chatbot would then pass the context of the user to some sort of engine that

can perform the recommendation in real time. With this in mind, the scenario would be possible."

There are other uses, says Brian Shenson, former vice president of advisor technology at Schwab. Alexa is already doing them for its retail users now, he points out: scheduling meetings and informing them of upcoming events or needs.

"You're driving to work and you suddenly get an idea you need to integrate into your discussion with your client," Shenson says. "You have the facility to do that without having to write a note. It can be much more powerful in the delivery of client engagement and communications."

ADVISOR ENABLEMENT

Shenson, who now runs his own consulting firm in the Bay Area, sees wealth management firms cautiously approaching the use of natural language processing and machine learning.

"I imagine larger firms with significant risk aversion will struggle to embrace it. It's Day 1; it's too black box. They don't understand how it works. This is similar to how robo advisors played out. At first, firms didn't understand how they worked behind the scenes. Now, no one thinks twice about the algorithms in the robo platform."

In addition to client engagement, key wealth management applications for the technology include advisor enablement, investment ideation and risk management, says Will Trout, head of wealth management research at Celent.

"The service could be extended even to deliver advice," Trout says. "So it's like a chatbot, but relationship-centered, and not transactional, like most of the retail banking chatbots. Plus, it has very strong natural language processing and generation capabilities. Don't underestimate Amazon."

Other firms are offering machine learning-enhanced services too, such as Salesforce's recently unveiled CRM for advisors. There are industry efforts to develop conversational interfaces also, such as Bank of

America's Erica. But Amazon has an edge, Shenson says, because the base for improving Alexa extends into Amazon's customer base, which is far beyond one industry.

"They benefit from millions of interactions," he says. "And when they are widely embraced by the consumer market first, it lends more credibility than if it they tried to emerge first as a business technology."

THE END GAME

Such offerings raise the question of what's the end game for Amazon Web Services in the financial industry?

Scott Mullins, head of worldwide financial services business development at Amazon Web Services, says the goal is the same for all fintech providers: to help incumbent wealth managers ease into the digital age.

"Wealth managers can devote more time to innovating and addressing customer challenges and less time worrying about infrastructure and technology deployment," he says.

Mullins notes that Betterment has offloaded a number of its internal functions to the cloud services provider. "They've gone all in with AWS, leveraging services like Amazon Redshift, AWS Lambda, AWS Database Migration Service, Amazon Kinesis, Amazon DynamoDB, and more," Mullins says. "Today, they are using over 20 AWS services to develop, test and deploy features and enhancements on a daily basis."

Shenson sees the Alexa pitch as the way cloud services attempt to gain greater adoption from the financial services industry, which still has reservations about sharing highly regulated client information.

But do advisors have to think about this service becoming a bridge for Amazon's retail branch to compete directly for clients, as robo advisors did? Trout says no.

"They want to serve the financial services industry, yes. That doesn't mean they want to enter it as a competitor. When you are trying to reinvent space travel, who cares about retail banking?"

FP

"Platform shifts start out looking like a toy and then become the primary way that the younger generation communicates," says Lex Sokolin of Autonomous Research.

Guiding the Gloomy

Have clients who are bummed out about Social Security? Here are basic mindfulness techniques that may help them combat their negativity.

BY PAUL NORR

DURING SEMINARS ON SOCIAL SECURITY, I OFTEN encounter attendees who are determined to see the dark side of every silver lining. I'm sure you've had similar experiences with clients.

"I'm going to die young anyway," they say. Or: "I don't trust those crooks in Washington." And there's the ever popular "Social Security is broke."

Welcome to one of the most formidable obstacles to helping clients plan for Social Security: their own negativity.

Financial advisors have become much more cognizant of the importance of Social Security planning and the real, demonstrable value that we can provide by guiding clients in this process. Yet the perceptual filters, personal biases and mental blind spots of clients continue to challenge the most experienced advisors.

For all of their improved expertise, advisors' best efforts to help clients may founder when confronted with these seemingly implacable forces.

NEGATIVITY BIAS

Negativity bias is a very common and impactful perceptual filter, which destructively affects people's attitudes and perception. It is the innate tendency to overemphasize negative aspects in our lives.

Psychological research has made a compelling case for the widespread influence of negativity in our lives. This was classically described in a seminal 2001 paper in the *Review of General Psychology*, "Bad Is Stronger Than Good," by Roy F. Baumeister, Ellen Bratslavsky, Catrin Finkenauer and Kathleen D. Vohs.

Thanks to such insights, we now know that in large numbers we overreact to negative comments, insults stick with us much longer than praise and brain studies show greater activation to negative stimuli than to positive stimuli.

The English language contains almost twice as many words for negative emotions than for positive or neutral ones. It seems that human beings are hard-wired to focus on



the negative.

Indeed, negativity bias can sabotage the advisors' best intentions and the client's best chances of making prudent Social Security planning choices or any other long-term financial planning for that matter.

Although negativity appears to be ingrained into our collective DNA, it can sometimes still be modified to shape a more balanced attitude.

One effective method is to suggest your clients use the "3Rs" to recognize, reduce and replace the problem.

RECOGNITION

Recognition is the linchpin strategy that underlies the other two elements.

For anyone trying to become mindful of possible self-defeating negative, begin by simply paying attention to your changing mental and emotional experiences during the course of a day, paying particular attention to negativity when it arises.

Next, don't judge whether the negative state is warranted or not but simply make a mental note that negative thoughts

are occurring.

Last, make an effort to let go of the mental story or narrative that often accompanies negative thoughts. Those who are particularly keen on this practice keep a written log of the various occurrences of negativity they experience in the course of a day.

Recognition, by itself, is a powerful antidote to negativity. The very act of recognizing a negative state of mind immediately dissipates some of the momentum of the current mental feedback loop. Repeat this again and again and long-established habits begin to lose some of their power.

REDUCTION

Reduction is possible after negativity is identified. This can be accomplished in different

Dire Estimates

Projected retirement health care costs for a 65-year-old couple:

\$260,000

Fidelity Investments' 2016 Retirement Assessment Survey

\$404,253

HealthView Services

\$265,000

Employee Benefit Research Institute

ways. One is to avoid situations, habits or even other people that engender negativity. Obsessive attention to political news, twitter feeds and the like is a common habit that can reinforce negative thinking. You might encourage certain clients to take an occasional "news vacation" or limit daily consumption of all forms of news and media stimulation to 10 minutes a day.

Another way to reduce is to intentionally

let go of a negative mental state whenever you notice it. The old chestnut of counting to 10 when you are angry works for negativity as well.

REPLACING

Replacing involves displacing a negative state of mind with a positive one. For instance, when you recognize a negative state of mind, intentionally bring to mind something positive. This is not a Pollyannaish fantasy that one's life can magically be happy and trouble-free. It is an intentional practice of re-engineering some unhealthy habits of thinking.

Rather than dwell on a random negative event, perception or idea, replace it with a thought about something real that is good and wholesome and makes you feel better. It could be thoughts of a loved one or of a pleasant experience, a meaningful piece of poetry, your personal faith tradition or the beauty of nature.

There is a growing body of research indicating that developing the habit of gratitude and appreciation for the good things in one's life or generosity in dealing with others can provide an effective and powerful ballast to negative mental tendencies. This is a bit like consciously reorienting your mind from seeing the glass half empty to half full.

FAR AFIELD? NO.

People strongly in the throes of negativity will often reject replacement out of hand for any number of reasons. For them, it is often best to start with recognition and leave replacement as an advanced strategy.

These ideas, of course, are not for every client. But for those who seem immersed in negativity yet open to doing something about it, the 3Rs can be effective.

Managing negativity may seem somewhat far afield from Social Security planning. It's not. Experienced advisors know that all of our technical and practical knowledge and guidance is merely blowing in the wind unless we can get clients to engage and activate their better spirits.

FP

The very act of recognizing a negative state of mind immediately dissipates some of the momentum of the current mental feedback loop.

Helping Clients Let Go

Whatever the reason, it's almost always problematic when a client holds on to a very large position in one stock.

BY DONALD JAY KORN

A TIME-HONORED IDIOM WARNS AGAINST PUTTING all your eggs in one basket (or even too many eggs!). The reason is evident to every advisor: Such a portfolio is vulnerable to being cracked or broken if a single stock slips.

Even the heartbreaking stories of investors who lost most of their wealth after Enron and Lehman Brothers collapsed can't persuade some clients to sell.

"Without question, clients with concentrated portfolios underestimate the risks of owning a large position in one stock," says Paul Bennett, a managing director of United Capital, a financial life management firm in Great Falls, Virginia. "Clients should consider diversifying away from any position that goes north of 5% to 10% of their overall portfolio."

How can advisors raise awareness of the possible perils? One approach is to use scare tactics. "When discussing the downside risk of a concentrated position," says Lucas Bucl, a principal at KHC Wealth Management in Overland Park, Kansas, "we often will cite examples where a large loss of value has occurred with another stock. Some common ones are Enron, WorldCom, Sprint, AIG, Lehman Brothers or Chipotle."

HOLDING PATTERNS

Large concentrated positions can occur if a client accumulates shares of a publicly held company for which he or she works. Bennett notes that holdings may result from stock options, performance shares, restricted stock units or participation in an employee stock purchase plan. "There could be an allocation to company shares within a 401(k) or deferred compensation plan," he adds.

"In all of these cases, overconfidence bias can occur: Clients feel they have a knowledge advantage because they work for the company," Bennett says. "Unfortunately, this is usually not the case. The lack of diversification can (and often does) wreak havoc on retirement planning."

Other sources of concentrated portfolios can lead to



"In most cases, selling periodically or making charitable donations make the most sense," says Adam Fuller, a principal at Homrich Berg.

what Bennett terms endowment bias. "A client may have inherited a large position in one company from a parent or other relative who had diligently invested for decades," he says. "These clients may not want to sell the stock because they believe that would be going against the wishes of their benefactor. Even thinking about selling stock that Uncle Bill willed to them can produce feelings of guilt."

To overcome such insistence on standing pat, planners can point out the dangers. "What I've found to be most effective," Bennett says, "is providing examples of other (unnamed) clients who did not diversify and were forced to modify their retirement planning. That meant work-

ing longer, having a lower income or other trade-offs.”

Another option, Bennett goes on, “is to dynamically show clients what-if scenarios on the screen. The client provides forecast numbers (good and bad) for the price of the concentrated position to see how volatility impacts their overall planning. This exercise can be a reality check for many.”

EXECUTIVE DECISIONS

Persuading the client that a concentrated position is risky may be only part of the advisor’s task. Unfortunately, some clients believe career success is linked to holding those centerpiece securities.

Big Losers

Even as the S&P 500 returned about 12% in 2016, clients with concentrated positions in these companies were hit hard:

Company	2016 Change
Endo International	-73.1%
First Solar	-51.4%
TripAdvisor	-45.6%
Perrigo	-42.5%
Vertex Pharmaceuticals	-41.5%
Arconic	-37.4%
Stericycle	-36.1%
Alexion Pharmaceuticals	-35.9%
Illumina	-33.3%
Mallinckrodt	-33.2%

Source: S&P Global Market Intelligence

“Many of our executive clients have explicit or implicit holding requirements for company stock, which can be an impediment to managing the overall exposure,” Bucl says. “Often, these clients must get management approval to sell positions. A request to sell can be seen in a negative light, implying that the person selling may not be 100% behind management’s initiatives. We prepare our clients for these sometimes uncomfortable conversations by helping them explain the strategy and reasoning for wanting to reduce their stock position.”

As Bucl explains, the process for selling company shares may involve a formal request, which goes through the firm’s HR department to the company’s general counsel or even to the financial chief for approval or denial.

“For example,” he says, “I have a client who is an executive at a public company. There are no specific holding requirements for him, but the corporate culture looks down upon selling its stock. It wasn’t until the stock had moved up and a few key executives sold some shares before my client was even willing to entertain the idea of requesting permission to sell.” The executive was still very reluctant to raise the subject, as he was up for a promotion.

“We helped him focus on some important goals that he planned to fund with the stock sale proceeds,” Bucl says. “The money would be used primarily for college costs and cleaning up debt. We coached him so that he could explain how the proceeds would be used in his financial plan, when he was asked by a superior.

“As a result, he got the green light to sell the stock and still received the promotion a few months later,” he adds.

MAKING IT HAPPEN

If the client (and perhaps the employer) agrees, planners can initiate tactics to move money from the single stock position.

“In most cases, selling periodically or making charitable donations make the most sense,” says Adam Fuller, a principal at Homrich Berg, a wealth management firm in Atlanta. Selling appreciated shares in a taxable account may generate tax bills, but the low tax rates on capital gains and the possibility of offsetting capital losses may keep that pain manageable.

Donating appreciated shares will avoid taxes. “Low-basis concentrated stock is a wonderful asset to use to fund charitable gifts,” Fuller says. “In the right situation, using a large gift to a donor-advised fund or a private foundation to create a pool for future gifts can be an excellent strategy if the client is charitably inclined. It is amazing how many clients are surprised when we explain

“Clients should consider diversifying away from any position that goes north of 5% to 10% of their overall portfolio,” says Paul Bennett of United Capital.

this option; as planners we often forget that what is common knowledge to us is a great insight to families.”

After learning of the benefits, many clients with concentrated positions start donating stock instead of cash, according to Fuller. “One client, for example, has a very high annual income and tithes seriously,” he says, “resulting in substantial annual dona-

Fuller adds that one way to deal with concentrated positions is to remind clients that acquiring wealth and preserving it are two different skill sets.

“We stress the idea that acquiring significant wealth is often the result of concentrating effort in a single firm,” he says. “Preserving that wealth is an equally important but

After learning that donating appreciated shares will help avoid taxes, many clients with concentrated positions start donating stock instead of cash, says Adam Fuller of Homrich Berg.

WHEN SELLING OR GIVING ISN'T ENOUGH

Reducing the risk in a client's concentrated portfolio can go beyond selling shares or donating them to charity. In selected situations, other methods may be useful:

- **Exchange funds.** The client contributes shares from the concentrated position in return for a portion of a diversified stock portfolio. “We have recommended exchange funds in cases when a client didn't have a charitable intent, wanted to diversify, but didn't want to incur taxes now,” says Adam Fuller of Homrich Berg in Atlanta. “After being in the fund for seven years, this client receives a proportional distribution of the stocks in the fund.”

The key is how well the shares in the fund perform. “Stocks that sounded good seven years ago, when the exchange fund was built, might not be so good today,” Fuller says.

- **Protective option collars.** The client purchases a put option on the stock in the concentrated position, limiting the downside risk, and sells a call option to help fund the hedge. “This strategy is generally more effective for shorter periods of time,” says Lucas Bucl at KHC Wealth Management in Overland Park, Kansas, “rather than a permanent risk management strategy.”
- **Prepaid variable share forwards.** The client enters into a contract to sell a variable number of shares in the future in exchange for cash now, typically 70% to 90% of the current value. “This diversification strategy defers taxes and establishes a floor (and ceiling) on the stock price,” Fuller says. “We have not had a client establish a variable forward in a number of years due to the high cost and uncertainty over tax regulations.” The investment minimums for such strategies may be \$500,000 and up, Fuller says.

tions to his church. He had no idea that he could donate stock instead of cash; he was sitting on some legacy stock positions from his old employer that he did not want to sell due to taxes. Those shares could be used to fund the DAF.”

different task. As we tell those clients, you won the race by being concentrated, but you keep the trophy by being diversified. There is no reason to keep using a high-risk strategy of a large concentrated position once you have already won.”

FP

Donald Jay Korn is a contributing writer for *Financial Planning* in New York. He also writes regularly for *On Wall Street*.

The Right Way to Split an IRA

Advisors are in the unique position to help remind clients how tax rules work when an individual retirement account is split in a divorce.

BY ED SLOTT

DIVORCE OFTEN INVOLVES THE SPLITTING OF major financial assets, and an IRA plan is, in some cases, a couple's largest single asset.

Splitting an IRA in a divorce is not like splitting a home or other assets. IRAs contain their own specific tax rules that must be followed to avoid triggering taxes or penalties. Advisors are in the unique position to help divorcing clients ensure IRA funds are split correctly.

A recent U.S. Tax Court case is a reminder for both advisors and clients of how tax rules work when an IRA is split in a divorce. Despite an agreement and good intentions, the rules in this case were not followed, resulting in unnecessary taxes and penalties.

GOOD INTENTIONS, BAD RESULTS

When Jeremy and Karie Summers decided to divorce, they were determined to do so in the most amicable and least expensive way possible.

The Summers did not want to involve lawyers. On their own, Jeremy and Karie put together an agreement covering how they would handle custody of their four children and divide their property.

On March 18, 2013, Jeremy filed for divorce. His filings incorporated their agreement. Jeremy had an IRA, and he wanted to give half to Karie.

Karie did not work and had debts. To help her, Jeremy agreed to split the IRA before the divorce decree became final. That was a critical mistake.

In late April 2013, Jeremy took a distribution of his entire IRA. He deposited the \$17,378 in the checking account he shared with Karie. The next day, using almost half the funds, he paid off Karie's car loan. He later transferred another \$71 to the checking account to ensure she received exactly half the IRA.

On June 3, 2013, a final divorce decree incorporating the agreements set forth in Jeremy's divorce filings was entered. However, as he and Karie had already divided up the IRA, the



decree stated that neither party had a retirement plan.

Jeremy filed his taxes for 2013 and paid the income taxes due on the IRA distribution. However, he did not pay the 10% early distribution penalty. The IRS said he owed the penalty. He disagreed and went to court representing himself. The court held that the 10% early distribution penalty applied to the IRA distribution.

THE PENALTY DISPUTE

Jeremy conceded that he owed the 10% penalty on the half of the IRA distribution he kept for himself. That left the court to decide whether the half he gave to Karie was subject to the penalty.

Jeremy argued he should not be held liable for that portion. He made the case that the distribution was paid pursuant to a qualified domestic relations order to an "alternate payee." He said Karie was the alternate payee.

Unfortunately for Jeremy, the court sided with the IRS. Interestingly, the IRS did not argue, nor did the court say, that there was no way the exception to the 10% penalty for distributions pursuant to a QDRO could apply, because QDROs

are only used for company retirement plans, not IRAs.

EXCEPTION DENIED

Instead, the court agreed with the IRS and said Jeremy did not qualify for the exception for two reasons.

First, the IRA distribution was made directly to Jeremy and not to an alternate payee. He received the check and deposited it into the joint bank account. He then gave Karie half the proceeds.

Second, there was no court order of any kind, much less a QDRO. Although Jeremy's divorce filings mentioned a split of the IRA, a month before the final court order was issued; he took a total distribution of the IRA and gave half to Karie.

NO CHOICE

The final divorce decree declared neither Jeremy nor Karie had a retirement plan, which was accurate, because the IRA had already been distributed. The IRA distribution was not made "pursuant to" that order or any court order.

The court expressed sympathy for Jeremy, but still held him liable for the 10% early distribution penalty. According to the

court, there was no choice.

LESSONS LEARNED

Here are three lessons that can be learned from Jeremy's misfortune.

1. A divorce decree is required. For an IRA to be divided without triggering a tax on the transfer there must be a divorce decree issued pursuant to state domestic relations law that addresses marital property rights.

The divorce decree will usually come from a court and may incorporate orders from state agencies. Without a divorce decree, there is no authority for the IRA to be divided.

Sometimes clients make the mistake of thinking a casual agreement settling the division of their property without the involvement of a court is enough to divide an IRA. This is not the case.

The mere fact that a property settlement is agreed to and signed by the parties will not, in and of itself, cause the agreement to be part of a divorce decree.

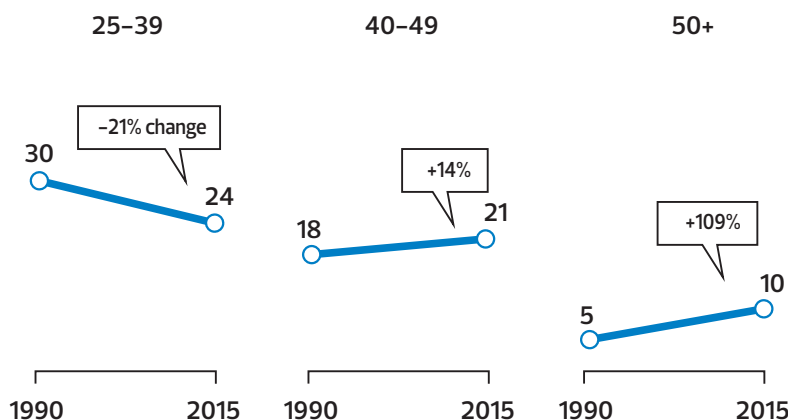
It is possible, however, for divorcing parties to agree to terms as to how IRAs should be divided, and then submit the agreement to the court for approval.

In this case, the timing was wrong. To

Agreeing to split an IRA before a divorce decree became final was a critical mistake.

Divorce rate for adults 50+

Number of people who divorced per 1,000 married people in given age group.



Source: Pew Research Center analysis of the 2015 American Community Survey and 1990 Vital Statistics, following methodology in Brown and Lin's "The Grey Divorce Revolution: Rising Divorce Among Middle-Aged and Older Adults, 1990-2010."

help out his soon-to-be ex-wife, Jeremy took a distribution before the court issued the final divorce decree. The final divorce decree did not address any division of the IRA, because the IRA had already been distributed to Jeremy.

2. QDROs do not apply to IRAs. A QDRO is not used to divide IRAs, including SEP and SIMPLE IRAs, in a divorce. A QDRO is a very specific type of order that is required to divide a company plan subject to ERISA in a divorce.

To qualify as a QDRO, a court must include certain detailed information in an order. Under federal law, the administrator of the company plan is responsible for determining whether the requirements to be a QDRO are met.

3. There is no exception to the 10% penalty for an IRA distribution due to divorce. When company plan funds are divided under a QDRO and paid out from the plan to the alternate payee, there is an exception to the 10% penalty.

Distributions from an IRA that is properly divided after a divorce are still subject to the 10% penalty.

Jeremy took an IRA distribution before his divorce was final. He did not take a distribution from a plan pursuant to a QDRO, so he could not escape the 10% penalty.

THE RIGHT WAY TO DO IT

The correct way to divide IRA funds that are in compliance with a divorce decree is to perform a trustee-to-trustee transfer (a direct transfer) of the IRA funds, moving them directly from one spouse's IRA to the other spouse's account.

If the transfer is done correctly, the IRA will be split and there will be no tax liability for either spouse. That's what should have been done here.

- Before a trustee-to-trustee transfer is set in motion, advisors will want to review the divorce decree carefully and with the following points in mind.
- A divorce decree mandating division of

an IRA is a court order requiring the IRA owner to act, not the IRA custodian. The divorce decree will order the IRA owner to take the necessary steps to divide the IRA. It is not the IRA custodian but the IRA owner who will be in trouble with the court if the required actions are not taken.

- The divorce decree should be specific about how and when assets are split. If the IRA is invested in assets that fluctuate in value, the date that the IRA is divided may be critical.
- The divorce decree should clearly state who is responsible for any fees and how they are paid.
- If a divorce decree is unclear on any of these matters, an advisor may consider asking the court for more clarification. In rare circumstances, a divorce decree may need to be revised.
- Don't assume your client's divorce attorney is well-versed in how IRAs should be handled in a divorce. This is a very specialized area.

AFTER THE TRANSFER

After the transfer due to divorce, if the funds remain in an IRA, there would continue to be no tax consequences. However, if the spouse who receives the funds decides to take a distribution from his or her IRA, that distribution would be taxable.

If the spouse who takes the distribution is under age 59½, the 10% early distribution penalty would also apply.

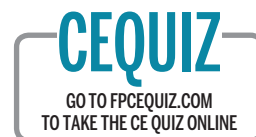
Although the funds were transferred due to divorce and may even have been distributed to pay costs associated with the divorce, there is no exception to the 10% penalty here.

A spouse who is awarded IRA funds resulting from a divorce may also convert those funds to a Roth IRA.

Be a proactive planner and guide your clients through this process. They will avoid unwanted taxes and penalties, and see the value you've provided when they most needed the financial help.

FP

When company plan funds are divided under a QDRO and paid out from the plan to the alternate payee, there is an exception to the 10% penalty.



Ed Slott, a CPA in Rockville Centre, New York, is a *Financial Planning* contributing writer and an IRA distribution expert, professional speaker and author of several books on IRAs. Follow him on Twitter at @theslottreport.

A Battle of Foreign-Stock Funds

In a sequel to last month's test, three foreign market stock index funds take on a single total non-U.S. market index fund. The results are decisive.

BY CRAIG L. ISRAELSEN

WHAT IS TRUE OF INVESTING IN U.S. STOCKS IS ALSO true for international stocks: a group of three stock index funds — each aimed at a subsection of stocks — outperforms a single total market index fund.

We tested this question last month relative to the entire United States equity market, and the findings were clear: three Vanguard funds combined in equal weights and rebalanced annually outperformed a single Vanguard U.S. stock market fund that attempts to cover the universe of U.S. large-cap, mid-cap and small-cap stocks.

The 18-year annualized return for the trio of funds was more than 200 basis points higher than the single total stock market fund. Moreover, the trio had better three-year rolling performance 75% of the time.

But that is one just one total stock market fund and just one asset class — U.S. stocks. What if you looked at another total market index fund, one that seeks to replicate all non-U.S. stock markets?

BUYING FOREIGN STOCKS

This month, we set out to determine whether the three-against-one approach is superior when buying foreign stocks as well.

Once again, we turned to Vanguard to find the participants for our contest.

The firm has a one-stop offering for investors wishing to simplify their exposure to the non-U.S. equity market, namely the Vanguard Total International Stock Index fund (VGTSX). It has an 80% allocation to stocks from developed foreign economies, 15% to stocks from emerging markets, and the rest to cash and miscellaneous holdings.

This type of fund is certainly convenient, but is it the best approach?

Another approach would be to buy separate funds from three international market segments: developed foreign large-cap value stocks, developed foreign mid-cap and small-cap stocks, and emerging market stocks. For this



comparison, the three individual foreign funds are Vanguard International Value (VTRIX), Vanguard International Explorer (VINEX) and Vanguard Emerging Markets Stock Index (VEIEX).

When combined, these three funds seek to accomplish what VGTSX is attempting to achieve. The time frame for this comparison is the 18 years from Jan. 1, 1999, to Dec. 31, 2016. Performance data came from the Steel Systems Mutual Fund database.

The annual returns of these four international funds are shown in the chart "Four Stalwarts." Over the last 18 years, VINEX and VEIEX have individually significantly outperformed VGTSX, by 562 basis points and 438 basis points, respectively. VTRIX also outperformed VGTSX, by a modest 79 basis points.

Outperformance does come at a cost, however. The standard deviation of returns for VINEX and VEIEX were each roughly 43% higher than VGTSX. In studying the annual returns carefully, it's clear that much of that larger standard deviation came from large positive returns rather than unusually large negative returns. The exceptions are the rel-

atively large losses for VEIEX in 2000, 2008 and 2015.

Also worth noting is the lower expense ratio of VGTSX – less than half any of the other three funds. That is certainly attractive. But it is important to remember that stated performance of any fund already accounts for its expense ratio.

Thus, the slightly lower expense ratio of VGTSX pales in comparison to the performance advantage of the individual international stock funds.

Convenience and keeping costs low are obviously important, but raw performance is ultimately more important.

Let's now examine what happens when

we blend the results of these three individual funds and stack them up against VGTSX.

TWO OPTIONS

We have two options. The first is to invest in the three narrower funds in the same allocations that VGTSX uses (which is 80% to developed foreign markets and 20% to emerging markets).

To do this, VTRIX will have a 40% allocation, VINEX a 40% allocation, and VEIEX a 20% allocation. Each fund is then rebalanced annually to keep the allocations in line.

The second option in blending results is to simply invest equally in each fund, namely three allocations of 33.33%. The

The best way to build a portfolio: optimize exposure to the asset classes you are seeking to cover, and then keep the cost as low as possible.

Four Stalwarts

Annual performance from 1999 through 2016.

18 Years of Performance Annual Returns	Vanguard International Value (VTRIX) Foreign developed large cap	Vanguard International Explorer (VINEX) Foreign developed mid and small cap	Vanguard Emerging Markets Stock Index (VEIEX) Emerging markets	Vanguard Total International Stock Index (VGTSX)
1999	21.77	90.29	61.57	29.92
2000	-7.42	-2.68	-27.56	-15.61
2001	-14.05	-22.52	-2.88	-20.15
2002	-13.35	-13.88	-7.43	-15.08
2003	41.90	57.37	57.65	40.34
2004	19.77	31.77	26.12	20.84
2005	17.96	20.49	32.05	15.57
2006	27.37	30.34	29.39	26.64
2007	12.66	5.15	38.90	15.52
2008	-41.74	-46.62	-52.81	-44.10
2009	33.77	47.12	75.98	36.73
2010	7.31	22.55	18.86	11.12
2011	-14.58	-19.74	-18.78	-14.56
2012	20.18	17.93	18.64	18.14
2013	22.15	30.24	-5.19	15.04
2014	-6.69	-2.88	0.42	-4.24
2015	-6.44	8.60	-15.47	-4.37
2016	4.46	-1.77	11.50	4.65
18-Yr Annualized Return	4.76	9.59	8.35	3.97
18-Yr Std Dev of Return	21.1	32.2	33.3	22.4
Growth of \$10,000	23,099	52,012	42,378	20,147
Expense Ratio	0.43	0.41	0.32	0.18
Correlation to VGTSX	0.98	0.90	0.92	--
Beta with VGTSX	0.93	1.30	1.36	--

Source: Steele Systems Mutual Fund software, calculations by author

results of these differed weighting sare displayed in the accompanying chart, "Extensive Coverage."

Clearly, the three-fund approaches have produced better performance than Vanguard Total International Stock Index over the past 18 years (with a slight edge to the equally weighted trio).

Gaining exposure to foreign equities is best accomplished by using individual funds rather than a total index approach.

And this is not simply an artifact of looking at this particular 18-year time frame.

It turns out that the three-fund approach with 80% weighting to developed markets and 20% weighting to emerging markets outperformed VGTSX in 94% of the rolling three-year periods from 1999 to 2016. The equally weighted three fund approach had better three-year rolling returns than VGTSX 88% of the time.

CONSIDERABLE PAYOFF

Is it more expensive to use a three-fund approach? Yes, slightly. VGTSX has an expense ratio of 18 basis points, compared with 39 basis points for the equally weighed trio.

However, the payoff over the past 18 years was considerable. The equally weighted portfolio of the three funds grew from \$10,000 to \$39,685, whereas VGTSX had an ending account value of \$20,147. These ending account values take into account expense ratios.

Focusing too much on expense ratio can produce a blind spot.

The more important consideration is building a portfolio that can optimize the

Extensive Coverage

Three approaches to gain exposure to the entire international equity market.

18 Years of Performance Annual Returns	VTRIX 40% allocation VINEX 40% allocation VEIEX 20% allocation	VTRIX 33.33% allocation VINEX 33.33% allocation VEIEX 33.33% allocation	Vanguard Total International Stock Index (VGTSX)
	Vanguard Weighting 80% developed 20% emerging	Equal-Weighting	
1999	57.14	57.88	29.92
2000	-9.55	-12.55	-15.61
2001	-15.20	-13.15	-20.15
2002	-12.38	-11.55	-15.08
2003	51.24	52.31	40.34
2004	25.84	25.89	20.84
2005	21.79	23.50	15.57
2006	28.96	29.03	26.64
2007	14.90	18.90	15.52
2008	-45.91	-47.06	-44.10
2009	47.55	52.29	36.73
2010	15.72	16.24	11.12
2011	-17.48	-17.70	-14.56
2012	18.97	18.92	18.14
2013	19.92	15.73	15.04
2014	-3.74	-3.05	-4.24
2015	-2.23	-4.44	-4.37
2016	3.38	4.73	4.65
18-Yr Annualized Return	7.76	7.96	3.97
18-Yr Std Dev of Return	26.7	27.4	22.4
Growth of \$10,000	38,368	39,685	20,147
Expense Ratio	0.40	0.39	0.18
Correlation to VGTSX	0.98	0.98	--
Beta with VGTSX	1.16	1.20	--

Source: Steele Systems Mutual Fund software, calculations by author

exposure to the asset classes you are seeking to cover – and then keep the cost as low as possible. In this case, as we saw last month, it is far better to divide and conquer. **FP**

Craig L. Israelsen, Ph.D., a *Financial Planning* contributing writer in Springville, Utah, is an executive in residence in the personal financial planning program at the Woodbury School of Business at Utah Valley University. He is also the developer of the 7Twelve portfolio.

CE QUIZ

OCTOBER 2017

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FROM: WHY YOUR CLIENTS NEED HSAs (online only)

1. What is the penalty if a distribution is taken from an HSA but not used for qualified medical expenses (if the account holder is under age 65)?

1. 10%
2. 20%
3. 15%
4. 5%

2. How many times in their lifetime is an account holder allowed to transfer IRA funds to an HSA?

1. Two
2. Three
3. One
4. Five

3. Which of these is NOT a condition for eligibility to contribute to an HSA?

1. Must be enrolled in a high-deductible health plan
2. Cannot be enrolled in Medicare
3. Cannot be eligible to be claimed as a dependent on someone else's tax form
4. Cannot have received care from the Veteran's Administration within the past year

FROM: THE RIGHT WAY TO SPLIT AN IRA

4. If one spouse receives an IRA funds transfer from another amid a divorce, what are the penalties if one takes a distribution and is younger than 59½?

1. 15%
2. No penalty in the case of divorce-related transfer
3. 10%
4. 20%

FROM: EARLY RETIREMENT'S HIDDEN COSTS (online only)

5. Average Indexed Monthly Earnings are calculated as monthly average income over how many years?

1. 40
2. 35
3. 30
4. 25

6. What is the Social Security replacement rate for the first \$885/month of income?

1. 90%
2. 85%
3. 75%
4. 32%

7. What is the maximum monthly wage base for Social Security income replacement?

1. \$12,500
2. \$11,600
3. \$10,600
4. \$9,400

FROM: WILL FIXED INDEX ANNUITIES STAY AHEAD OF FIDUCIARY CONCERNS? (online only)

8. Client arbitration cases involving annuities jumped by how much last year, according to FINRA?

1. 10%
2. 25%
3. 15%
4. 31%

FROM: WHY YOUR FIRM MAY NOT BE SAFE

9. Cybersecurity issues for advisory firms are covered in large part by which SEC rule on client privacy protections?

1. Regulation P-P
2. Regulation S-P
3. Regulation S-T
4. Regulation FD

FROM: TACKLING A TOUGH TOPIC

10. Approximately how many men in the U.S. will be diagnosed with cancer in their lifetimes, according to the American Cancer Society?

1. One in three
2. One in two
3. One in four
4. One in five

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SELFIE

Dealing with Catastrophe

Forced to flee Harvey, an advisor gets a reminder that the people he serves are a lot more than just names and numbers.

BY JONATHAN SWANBURG



IT WAS ALL VERY SURREAL. ON FRIDAY NIGHT, AS Hurricane Harvey ravaged my Houston neighborhood with driving rain, a tornado came down and missed my home by a few blocks. On Saturday, parts of Houston started to flood. On Sunday, the waters of the rivers and bayous around the area started to rise.

Thousands of people were trapped in their homes and were left to pray that they'd be rescued. I wanted to help someone, anyone, but the authorities told everyone to stay off the roads.

So, I sat on my couch and watched it all on television. Then the person on the TV said I had to leave. The Brazos River was rising and by Tuesday, it was going to spill over the tops of the levee into Sienna Plantation – my suburb of roughly 16,000 people just to the southwest of Houston.

I packed my pregnant wife, two boys (ages 4 and 2) and a very angry cat into the car, and headed to my father-in-law's house in Sugar Land. (My father-in-law also happens to be the president of my RIA, Tri-Star Advisors.) As we got everyone into bed, we received an alert telling us that this house had been added to the long list of mandatory evacuations.

So, we packed up again and ended up at the home of my wife's sister, Roxanne, and her husband, Phil. It was only about five minutes away from my in-laws, but the flood map said we would be safer there.

In our haste, I forgot to turn off the power and forgot tons of important papers. Although I'm an advisor, I'm not immune to forgetting a few things in times of crisis – no matter what I tell my clients. The next time the forecast calls for record flooding, I will be preparing my important docu-

ments and leaving town before the rain starts.

A BRIGHT SIDE

This experience helped me realize that I love my clients and many of them love me. When I sent out an email on Friday morning praying for our clients' families and explaining the firm's contingency plans for flooding and loss of power, none responded on the business issues at hand. Instead, they all expressed concern for my team and our families.

These clients aren't just portfolios and financial plans. These are the people I interact with on a daily basis. They have told me their hopes, their dreams and their fears; have trusted me with their futures; and, through our advisory relationship, have learned everything about me and have grown to truly care about my family.

On Monday morning, when I sent an email updating our status to clients, they offered my family their homes, food and clothing. My family is safe and my clients have told me that everything will be OK. And they are right.

Unfortunately, most families in Houston do not have flood insurance and are going to be struggling for a very long time. Our firm is therefore offering free financial planning assistance to anyone in the area who needs it. Many families will probably need assistance dealing with FEMA and insurance companies, or just some basic guidance for getting through a financial disaster.

Ultimately, while Harvey was a catastrophe for millions of people, it was also a reminder that at its best, financial planning is a uniquely personal business built around wonderful people and lifelong relationships.

FP

Jonathan Swanburg, CFP, is an investment advisor representative with Tri-Star Advisors in Houston. He leads the firm's guided wealth management service, focused on serving young professionals and their families.

To submit a Selfie commentary, email fpeditor@sourcemedia.com. Post your comments online at financial-planning.com.

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