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Adapt to Survive.

An Article from Brighthouse Financial Insights Panel

A group of leading independent experts that help you and your clients stay ahead of the curve

The Great Wealth Transfer

Money in motion and what it means for you

The Great Wealth Transfer of an estimated $30 trillion from the baby-boomer generation to their beneficiaries has already begun. The Insights Panel, a group of independent experts brought together by Brighthouse Financial,® discusses how financial advisors can help ensure that their businesses and their clients make the most of this unprecedented event.

1. Start the estate planning conversation early

It can be hard to start the estate planning conversation because it means asking your clients to think about a time when they will no longer be here. "There was a time when advisors didn't discuss the wealth transfer or felt uncomfortable bringing it up until their clients were older," says Advisor Champion Mark Zinder.

"Talking about death is hard. We're like an ostrich—we bury our head in the sand," Zinder says. "Eighty percent of people plan on transferring wealth, but only 45 percent make a plan to do so. We plan to use our money for family events, but we don't prepare our family for money events."

According to leading Behavioral Economist Dan Goldstein, it's essential to begin planning sooner rather than later.

"With half of people in their 80s experiencing some form of cognitive decline, advisors need to take an active step to get that legacy plan in place."

Cognitive decline affects everyone differently, but the risk increases significantly from age 65 onward. The symptoms include loss of memory and finding it harder to solve problems, which, in turn, can lead clients to make poor financial decisions later in life.

"Knowing that the longer people wait, the worse decisions they're going to make, cognitive decline is really something that should be planned for," explains Goldstein.

Goldstein recommends that advisors should schedule check-ins with clients at "milestone" ages, with 65 being a good time to make a wealth transfer plan.

2. Build relationships through the family

"There are good reasons advisors should consider building relationships with the younger generations of their clients' families," says Mark Zinder.

The first is that two-thirds of children fire their parents' advisor after receiving an inheritance. This may not be seen as a significant problem by advisors who are the same age as their clients and will likely be retired themselves before the next generation inherits.

According to Zinder, that thinking is flawed. He believes that ensuring that your clients' children receive solid advice about their future inheritance is an important service to your clients now. It gives advisors a better understanding of what clients want to do with their wealth in a broad sense, and can inspire clients themselves to have better conversations with their children.

Zinder says that there are a number of ways advisors can start to engage with the younger generations, including getting their clients to call a family summit to discuss their wealth transfer plan with children and grandchildren. Older advisors who work in tandem with younger colleagues can also reap benefits and help bridge the generational divide.

3. Help beneficiaries save their inheritances

"A key impact of The Great Wealth Transfer will be a change in the way the new generation spends its money," says Michelle Connolly, professor of economics at Duke University. This is because Gen Xers and millennials tend to have saved less and carry more debt than boomers.[1]

"The heirs to the baby-boomer generation are going to feel much more pressure to use some of this inherited wealth to help their current lifestyles, so that means that less of this money will likely be saved," says Connolly.

Futurist Jared Weiner explains that Gen Xers and millennials need to save more than the previous generation because they are likely to experience a much tougher environment when they retire, as traditional safety nets, such as Social Security and company pensions, continue to dwindle.

"As the millennial generation inherits wealth, they need to acquire the financial acumen to make the right financial decisions," says Weiner. "They're going to be looking more than ever to their financial advisor to help them get that financial security in retirement."

Find out how you can help beneficiaries plan for the wealth transfer and get other insights from our leading experts by visiting: **brighthousefinancialpro.com/insightspanel**

Listen to the podcast | Read the articles | Watch the videos

[1] Arenge, Andrew; Perry, Stephanie; and Tallevi, Ashley, "Poll: Majority of Millenials Are in Debt, Hitting Pause on Major Life Events," NBC News, 2018.


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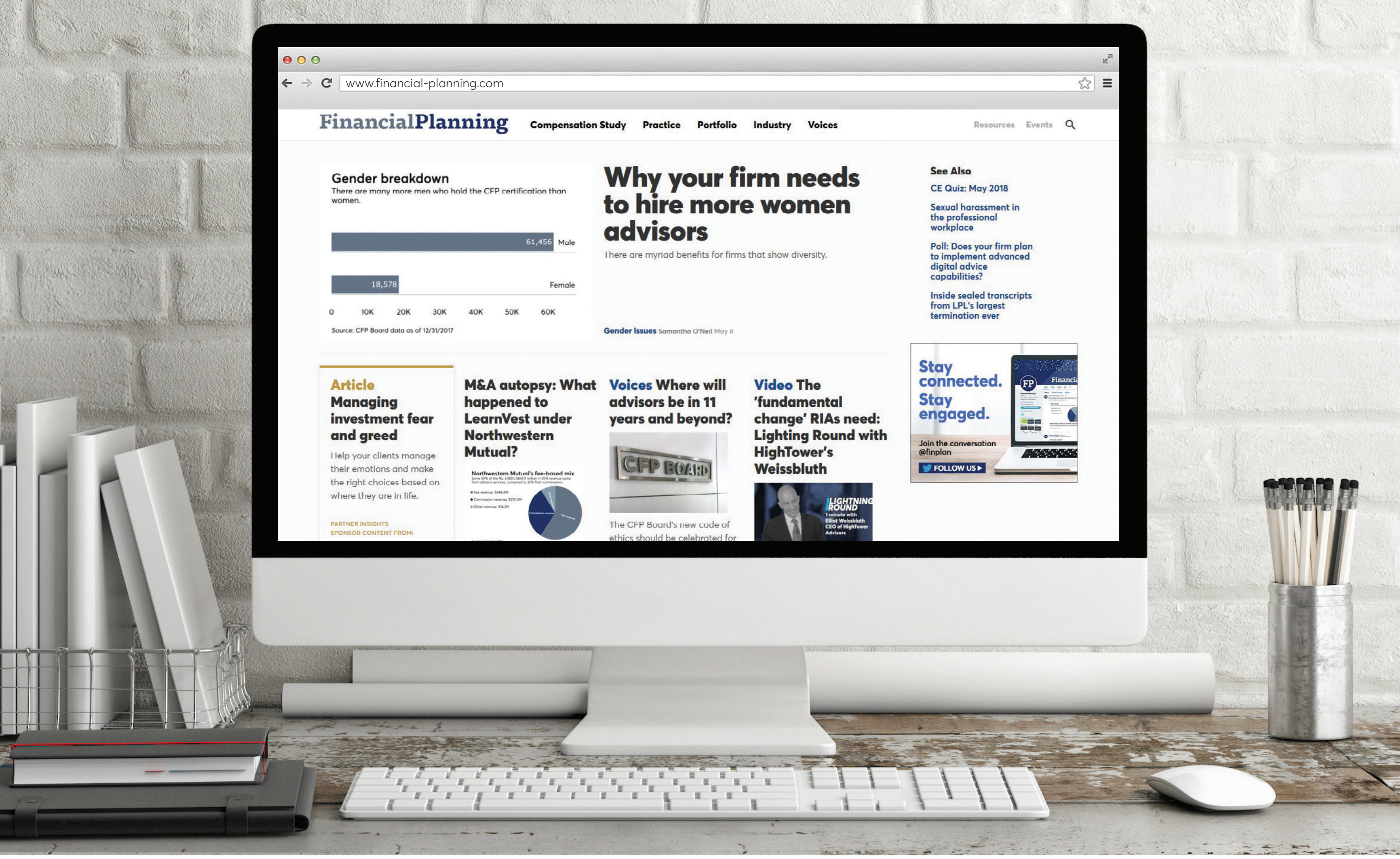
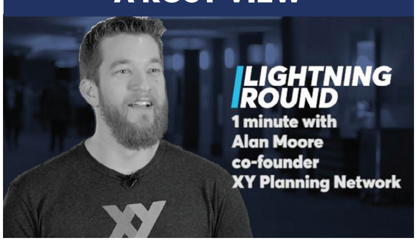


A ROSY VIEW



Bright Outlook for New Planners

Young advisors have more offers than they "know what to do with," says Alan Moore, a co-founder of XY Planning Network. New recruits are coming from some unlikely training grounds such as degree programs in theater or communications, he says. To learn more, visit https://bit.ly/2HYDTJk

GUIDE TO GROWTH

Asking for More

The share of clients receiving comprehensive planning services rose to a half from a third in the past five years, according to research by Cerulli Associates. Competition from low-cost digital providers and rising awareness of fiduciary issues are probably driving the shift. Go to https://bit.ly/2KIFosC

EVENTS

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NAPFA Fall National Conference
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Financial Planning

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Editor's View

Inflection Points

Pressure on IBDs is intensifying, as evidenced by how the *FP*50 rankings are changing.

Our annual *FP*50 ranking is a barometer for the industry overall and, true to form, this year's list reveals several major changes.

For the first time in 33 years, the list of the nation's largest independent broker-dealers shows that fee revenue is exceeding commission revenue.

"This represents a dramatic inflection point," says Craig Israelsen, a professor at Utah Valley University and a *Financial Planning* contributing writer, who has analyzed the rankings for almost two decades. "The trend going forward seems to be quite clear. Fee revenue will be the growing segment of total revenue, whereas commission revenue will flatten out, or likely even decline."

The shift is permanent, according to *Financial Planning* Associate Editor Tobias Salinger, who wrote the *FP*50 analysis, "Adapt to Survive."

"There's no turning back, ever, for the industry," Salinger tells me.

In another example of how dramatically the IBD industry is evolving, note how consolidation is shrinking the number of companies that appear in the *FP*50. Case in point: Four NPH network firms dropped off the annual ranking after LPL purchased National Planning Holdings.

"I expect to see fewer firms and more movement at the top of the list as competition and consolidation keep playing out," Salinger says.

Other big changes may come to the *FP*50 next year, as well. Ameriprise has nearly supplanted LPL Financial at the top of the list, and "the gap is getting closer than ever," Salinger tells me. If there is a new No. 1 firm next year, Salinger notes, it would mark the first IBD other than LPL to lead the list since 2001. — **Chelsea Emery**

Benchmark

DATA-BASED INSIGHT FROM *FINANCIAL PLANNING* AND SOURCEMEDIA RESEARCH

Retirement Advisor Confidence Index

Clients' Stock Allocations on the Rise

Enthusiasm for equities is coming back after a slowdown tied to heavy volatility early in the year.

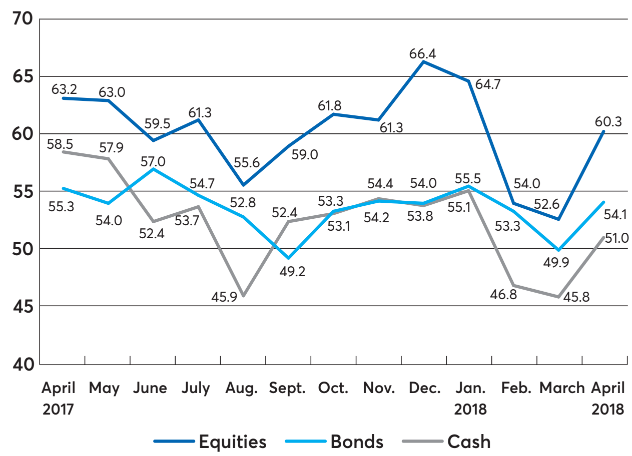
By Harry Terris

Confidence in the fundamental strength of the economy as well as the opportunity to add equity exposure at lower prices are helping to sustain robust investment flows, advisors say.

Client allocations to stocks have accelerated, recovering from a slowdown tied to heavy volatility early in the year, according to the latest Retirement Advisor Confidence Index — *Financial Planning's* monthly barometer of business conditions for wealth managers.

The equity component of the index that tracks assets used to purchase most investments jumped 7.7 points to 60.3 — the biggest move among factors covered by the index. That level is far into expansion territory, as readings above 50 indicate an increase and readings below 50 indicate a decline.

ASSETS ALLOCATED TO EQUITIES, BONDS AND CASH



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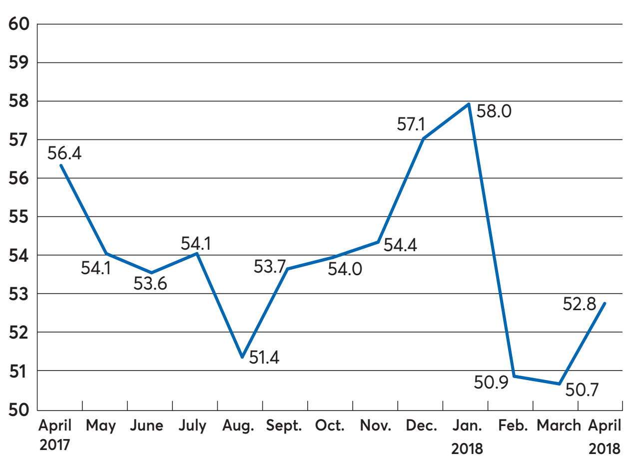
RETIREMENT ADVISOR CONFIDENCE INDEX



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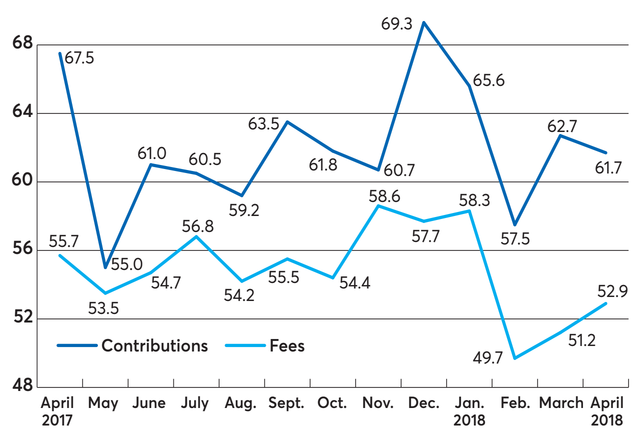
CONTRIBUTIONS TO RETIREMENT PLANS AND FEES FOR RETIREMENT SERVICES



Source: SourceMedia Research

The Retirement Advisor Confidence Index, published in partnership with ADP®, is created by the editors of Financial Planning and is based on a monthly survey of about 300 advisors. Visit financial-planning.com for more results.

Advisors say some clients are looking past renewed volatility to focus on the outlook for long-term performance, and they're discovering attractive values in stock market dips.

The index component tracking allocations to cash rose 5.2 points to 51, suggesting an abiding current of nervousness among clients. Similarly, the component tracking allocations to bonds increased 4.2 points to 54.1.

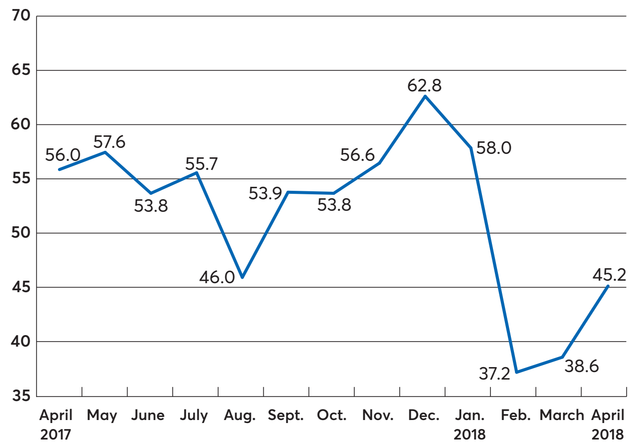
Boosted by healthy investment flows, the composite RACI added 2.1 points to reach 52.8. In addition to asset allocation, the composite tracks investment product selection and sales, client risk tolerance and tax liability, new retirement plan enrollees and planning fees.

Robust investment activity may come in part from higher contributions to retirement accounts, which typically increase around tax season as clients transfer money into IRAs to meet deadlines and invest refunds.

The component measuring contributions to retirement plans remained well into expansion territory at 61.7. The component measuring fees for retirement services — which track closely with contributions and managed assets — gained 1.7 points to 52.9. While the RACI component tracking client risk tolerance increased 6.6 points to 45.2, the gain failed to lift it out of contraction territory, implying that investor confidence remains dented. **FP**

Harry Terris *is a* Financial Planning *contributing writer in New York. He is also a contributing writer and former data editor for* American Banker. *Follow him on Twitter at @harryterris.*

CLIENT RISK TOLERANCE



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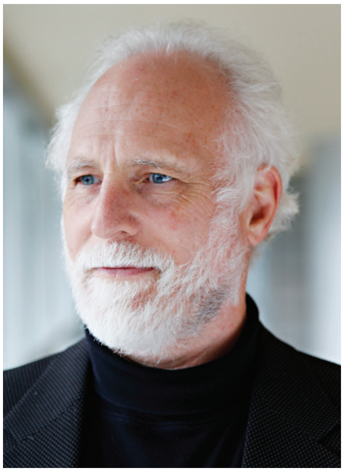

The Not-So-Distant Future

The CFP Board's new code of ethics embraces the fiduciary concept, but will it be strengthened later on?

By Bob Veres

I hope I'm not the only one who feels enthusiasm toward the CFP Board. I feel they should get a pat on the back for embracing the fiduciary concept in their new, updated code of ethics and standards.

The changes are welcome at a time when others seem to be in retreat. First, the court system vacated the U.S. Department of Labor's fiduciary rule and, earlier this month, the SEC proposed its own watered-down version of a best-interest standard.

Requiring all who hold the CFP designation to act in the best interests of their clients whenever they provide financial advice, and using the "f" word in mixed company, is an important step forward for the profession.

The last update was 11 years ago, when there was enormous controversy around any sort of fiduciary standard. The first few versions put out for public comment didn't include the word "fiduciary" and I was one of the people in the streets, torch and pitchfork in hand, who honestly thought the CFP Board would back down from the most basic way to protect the public.

Eventually, the committee drafting the standards required those with the CFP mark to adhere to Rule 1.4: "A certificant shall at all times place the interest of the client ahead of his or her own. When the certificant provides financial planning or material elements of financial planning, the certificant owes to the client the duty of care of a fiduciary as defined by CFP Board."

The obvious objection was, what about when a broker is giving investment advice and maybe a needs-based evaluation that falls short of the CFP Board's rather strict definition of a financial plan?

After avoiding this issue for several drafts, the committee made this loophole much smaller by adding a footnote: "In determining whether the certificant is providing financial planning or material elements of financial planning, factors that may be considered include, but are not limited to: The client's understanding and intent in engaging the certificant …"

Requiring all who hold the CFP designation to act in a fiduciary capacity with clients whenever they provide financial advice, and using the "f" word in mixed company, is an important step forward.

In other words, if the client believed that he or she was in a financial planning engagement, then the CFP Board could conclude that the investment advice rendered should be held to a fiduciary standard.

But of course, most of the terrible advice that people receive from brokers is not given in the context of a financial plan; it's investment advice and recommendations, usually with a commission that may or may not be disclosed to the consumer. CFPs could still sell terrible stuff, and did. They just made sure clients didn't think they were getting a financial plan while they did so.

The point of this lesson is to show how far the profession has moved in 11 short years. This time around, the comments supporting a strict fiduciary standard greatly outnumbered those that opposed it, but there was still a real disagreement of opinion held by a significant number of current CFP holders.

SIFMA offered a response that reads like a hostage negotiation, concluding that "the burdens of the CFP Board's proposal, coupled with the CFP Board's failure to address our member firms' most significant concerns about it, may cause firms to reevaluate their relationship with the CFP Board, including, without limitation, considering discontinuing their practice of reimbursing CFP certificates for the costs of training, testing, continuing education and membership, and exploring alternate designations and certifications."

Now that this process is behind us, it would be fun to look 11 more years into the future and imagine what the next iteration of the standards will look like.

By then, the brokerage firms will have figured out a way to comply with the unfortunate idea that their brokers should give advice in the best interests of their clients. True fiduciaries, meanwhile, will have moved on to even higher ground.

It would be fun to look 11 more years into the future and imagine what the next iteration of the standards will look like.

What will the standards committee write in its updated version in that very different climate?

There's room for improvement in one area. The current version of the code and standards is truly compensation-neutral, meaning that it talks about conflicts of interest — such as commissions, revenue-sharing fees and other temptations to recommend investments that might be more beneficial for the broker than the consumer.

It requires certificants to disclose these temptations in detail, and there's a short section entitled "manage conflicts," which implies that this is an alternative to avoiding them. This is where the brokerage firms and independent BDs find solace, and why they will eventually make peace with the current version when implemented. They can still sell their products.

But fast-forward yet another 11 years and I think a new version of the code and standards will follow the fiduciary concept to its logical conclusion and say that one cannot act as a fiduciary when one is accepting payments from certain investment companies. In the late 2020s, CFP certificants will have to go fee-only or drop the mark.

In that future day, I expect fulmination from the diminishing wirehouse community, who will still be wondering why they've been losing the hearts of consumers to professionals who have a client-first attitude, and are willing to embrace a true fiduciary standard.

What about 11 years after that? By then, the debate will be over fee compensation structures. By then, the AUM revenue model — so ubiquitous today — will be in full competition with fixed quarterly fees, hourly compensation structures and generally a much better matching of costs and value to what clients are paying.

The Final Frontier

The committee rewriting the CFP Board's code and standards will take a lot of heat from traditionalists who will argue that AUM best aligns the interests of the advisor and client. And it will ultimately reject those arguments and declare that, when a client asks how much a certificant will charge, the certificant will no longer be able to reply: "I'm not sure. How much have you got?"

The SEC will always be miles behind the profession in its timid crawl toward meaningful regulatory requirements.

My crystal ball starts to get a little bit fuzzy beyond this. About all I can see are thriving human colonies on Mars and the moon, asteroid mining, a lot of dangerous investment hype about cryptocurrencies and peoples' brains wired directly into their smartphones. But I'm willing to predict that the financial world, and a tax regime that extends to other planets, will be more complex than it is now. The brokerage firms will still be scratching their heads as they continue to lose business to real financial planning firms. Meanwhile, the SEC will always be miles behind the profession in its timid crawl toward meaningful regulatory requirements.

Perhaps in that future day people will be required to achieve sainthood to become a CFP. Maybe not, but I believe that the trend toward requiring fewer conflicts of interest will likely go on forever. **FP**

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.*

Only Seconds to Impress

When a prospective client asks, "So, what do you do?" here's how to respond.

By John J. Bowen Jr.

It's the question we're all asked at cocktail parties, community events, on airplanes or golf courses: "So, what do you do?"

A simple question, right?

No way.

When you're asked what you do, the next 15 seconds can change your future. Your immediate response can help attract new prospective clients to you like a magnet. Or it can land with a thud and do nothing for you or your business.

It all depends on how quickly and effectively you communicate the unique value that you offer as a financial advisor.

Why? Studies show that when you meet someone new, you have no more than 30 seconds — and maybe as few as seven seconds — to make a strong first impression.

That means you must make yourself compelling to the person in front of you — and do it fast! You must be ready with an expertly crafted reply that will spark a sincere interest from the listener, and then motivate them to explore working with you.

Here's how to make the most of those first few seconds when you're in front of a prospective client.

Video
How to develop a compelling 30-second elevator pitch.
https://bit.ly/2KbnNZI

While your value promise may be clear to you, it is probably not as obvious to people you encounter. It is up to you to convey it in a compelling yet succinct manner, especially when the moment is brief.

The secret to success is having a simple three-part value promise covering the three bases that express your unique value rapidly and compellingly.

1. Who you serve — and how they benefit: Instead of rattling off a plain-vanilla title or position that's sure to get a yawn ("I'm a financial advisor," "I'm a senior vice president in charge of…"), describe how you solve a key challenge or deliver an amazing result to your specific clients.

Creating a compelling value promise isn't easy. Keep it brief and make it all about the listener.

The reason: People care about benefits. A positioning statement that briefly and clearly tells the value that you — and you alone — provide to your select group of clients will act as a beacon to draw people toward you and get them to raise their hands to learn more.

Here are a few examples from elite financial advisors we have coached:

- "I help high-tech executives make work optional."
- "I help busy entrepreneurs make informed decisions about their money so they can stay focused on growing their businesses."
- "I help radiologists hang up their white coats."
- "I enable retirees in our community to gain confidence."

If you are unsure of the unique benefit you deliver to members of your niche, answer these questions: Who are the ideal affluent clients that I serve? What are the key needs of my ideal affluent clients? What makes me different from

my competitors?

Compelling Answers

2. How you work: You'll know that part one of your value promise is on point when, after you say it, the person asks, "How do you do that?" It's like when a doctor hits your knee with a rubber hammer — you can't resist reacting.

That's when you'll briefly summarize your approach to managing your clients' wealth. Here are four examples of compelling answers that top wealth managers we know use and that resonate with their prospective clients:

• "We use a comprehensive process to help our clients address each of their five key concerns: making smart decisions about their money, mitigating their taxes, taking care of their heirs, making sure their assets are not unjustly taken and magnifying their charitable gifts.

When you meet someone new, you have no more than 30 seconds — and maybe as few as seven seconds — to make a strong first impression.

• "We work with a network of professionals to help our clients maximize the probability of achieving everything most important to them."

• "I use a consultative wealth management process to identify where clients are now, where they want to go and any gaps for getting there. Then I help them close those gaps."

• "We use a five-step wealth management process that we've developed over the last 20 years. We address investment consulting, advanced planning issues and relationship management."

3. Call to action: Using this process, you can communicate your compelling value and position yourself as an expert in addressing the needs of your specific client base — all in about 15 or 20 seconds. Now the listener is engaged and really ready to learn what you might be able to do for them.

In most cases, the next question will be something along the lines of: "How do I find out more about that?"

Here is where you'll reply with your call to action. This is the step you want the person to take next: a discovery meeting where you'll go over where the prospect is now financially, where he or she wants to be in the future and the gaps needed to be closed to get there.

Have a good answer ready to go when prospective clients at a charity event ask what you do. The first 30 seconds of your response could have a major impact on your business.

Tell Your Story

As a bonus, sometimes you and a prospective client may be in a situation where you have time to have a more extended conversation.

In that case, it may be appropriate to incorporate your personal story. By personal story, I mean the events in your life that caused you to care about helping people make smart decisions about their wealth.

If you have this opportunity, tell your story right after you describe the discovery meeting, but before you ask if he or she would like to schedule it.

Although this template is simple, creating a truly compelling value promise is not easy. Be sure to keep it brief, make it all about the listener and make it believable. Try writing a script and reading it out loud at least 10 times. Repeat it until the script sounds natural. Better yet, practice your pitch in front of your spouse, team members, friends and associates.

The next time someone asks you what you do, you'll be ready with an engaging, compelling answer that sets the stage for amazing results. **FP**

ADOBE STOCK

John J. Bowen Jr., *a* Financial Planning *columnist, is founder and CEO of CEG Worldwide, a global coaching, training, research and consulting firm for advisors in San Martin, California. Follow him on Twitter at @CEGAdvisorCoach.*

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Build a Winning Team

Take a page from successful sports franchises and work toward a common goal. Here are five steps on how to do that.

By Kelli Cruz

As a fan of professional sports, this is one of my favorite times of the year. Major League Baseball is in full swing and many teams still have a real shot at the postseason. Plus, after endless months of regular season and playoff games in the NBA and NHL, the championships are underway.

When I look at the most successful sports franchises, one key characteristic stands out: These organizations are true teams.

They are not just a group of individual contributors who gather on the field at the same time, but also a group of professionals who collectively care about one another like a family. They trust one another, and when one player does well, they all celebrate as a team.

It should go unsaid that teams are a cornerstone of building and sustaining a successful business, too. Within the advisory industry, the team-based model of delivering superior service is where I see the highest future growth. Under this model, advisors pool resources to deliver products and services to their clients, who are shared and viewed as clients of the firm, not clients of individual advisors.

This model enables the firm to be nimble, yet present a united front to clients, bringing together various team members to work on client issues based upon staff capacity, skill set and cost.

A One-Stop Shop

When a firm utilizes all of its resources — personnel, experience and expertise — it places its best foot forward in servicing clients individually. Additionally, the firm can present itself as a one-stop shop to its clients.

In a team-based model, clients become more accustomed to dealing with a number of team members and are not wedded to discussing all their matters with the firm's principal.

This means that clients have the ability to get to know more of the firm and its people.

Firms should set team goals based on tangible outcomes and results, rather than just on the amount of work that is to be done.

Meanwhile, simple client requests can be managed appropriately down the line, freeing up the principal to focus on other revenue-generating activities. Clients will also enjoy receiving access and support in a timelier manner.

Expectations

To successfully sustain a team-based structure, all members of the firm must learn leadership and coaching skills.

Here are some proven strategies that I have seen work well in the financial planning industry.

1) Set clear direction and goals: The clearer the mission, the greater the odds of success. Individual team members and the teams themselves must know what is expected of them to meet or exceed expectations. That is why I recommend that the principal or team leader should always set clear goals and objectives and provide regular feedback.

Firms should set team

goals based on tangible outcomes and results, rather than just on the amount of work that is to be done.

Targeting the Goal

Next, they must develop a plan for how each individual and the broader group will accomplish the mission.

This plan provides team members with clear direction and gives them something to aim for collectively.

For example, if the firm's goal is to increase revenue by 10% over last year, the team will understand the outcome that is needed.

Each person can take responsibility for their role in the plan.

2) Recognize and reward success: Now that your team-based structure is off and running, you will need to align your firm's compensation structure to reward both individual and team results. I recommend doing so through a team-based incentive/bonus compensation plan.

Plain and simple, a well-designed compensation plan encourages higher levels of performance among your team members.

Team-based incentive plans can be applied to a group assigned to a specific project or mission, or a specific team within the firm such as administrative, advisory, marketing or sales teams.

The advantage of team-based incentive plans is that individuals are motivated to work collectively to achieve a common goal.

In the earlier example in which a firm aims to increase revenue by 10%, team members have the opportunity to encourage one another, participate in brainstorming sessions and support one another in their efforts to achieve that increase.

Once the goal of the 10% increase is met, the team should share in that fiscal victory through a team-based incentive/bonus award.

3) Check in often: It's imperative to frequently check in with the team to manage progress.

I work with teams to create a process for regularly evaluating performance results. It is so important to understand each team member's strengths and weaknesses in order to clearly see how they function as part of the team at large.

A well-designed compensation plan encourages higher levels of performance.

There is no better way to build trust and confidence as a leader than to show empathy and caring for each individual team member. If you aren't meeting with people on a regular basis, it will be hard to provide assistance when employees need it most.

Admitting Error

It is equally important that the team members acknowledge mistakes during the check-in process.

The path to success is forged around a series of course corrections based on what is — and is not — working.

Candid and timely conversations are essential to shaping that path forward. Team members should display a willingness to work through difficult situations constructively as well as in a timely manner.

4) See potential in every team member: Investing in your employees and having faith in their abilities can't be overstated.

My favorite tool for assessing a team's talent is the CliftonStrengths Finder offered by Gallup. The tool is based on the belief that every person possesses a unique combination of talents, knowledge and skills.

These are the innate traits and abilities people use in their daily lives to complete their work, to relate with others and to achieve their goals.

Helping your team discover and develop their individual strengths positions them to do what they do best every day — both in and out of a team setting.

Understanding your current team's makeup will help you develop a diverse breadth of talent.

Enhancing the Client Experience

A diversity of skills and experience is needed so that all positions are covered, and each individual can be assigned a particular role on the basis of their strengths and skills.

A variety of personalities, age groups, cultures and experience levels can also bring creativity and a broader range of ideas to the team.

Ultimately, this will enhance the client experience. Commit to developing each individual and building a deep bench of talent for the firm.

5) Celebrate successes and have fun: It shouldn't be all work and no play. This mentality can lead to burnout, so it's important to inject a bit of fun into working life.

Teams who work particularly well together enjoy each other's company and occasionally get together outside of the office to socialize and bond.

Overall, the most successful advisory firms have built strong positive team cultures that are grounded firmly in the purpose of helping clients reach their financial goals.

Achieving that purpose requires having a client-first mentality, rewarding excellence, honesty and teamwork.

As the ultimate team leader, you must model the way. **FP**

***Kelli Cruz** is a* Financial Planning *columnist and the founder of Cruz Consulting Group in San Francisco. Follow her on Twitter at @KelliCruzSF.*

Parting Wisdom

Summing up a career in financial planning: Success comes down to just three things. Goal setting is one of them.

By Glenn G. Kautt

"I'm scared." "It's exciting!" "I don't know what's next."

Clients use these words to describe how they feel about retiring. I've heard them all as I've guided retirees through their transition to what's next: usually a life of financial security and peace of mind. I help them create a "magic success formula" for retirement.

Speaking of retirement, I've stepped away from Savant Capital Management and this is my last column.

When I retired, I told others, "I'm excited! I'm working on what I'm going to do next." For decades, I've used my own success formula to help plan for the future by focusing on things that helped me succeed, including finding ways to see and predict the future, while improving my interpersonal skills, mental attitude and resolve.

I've borrowed this formula from other business best practices that have worked for centuries. Can we distill this formula down into a few concise thoughts? After 50-plus years of work and 35 years in financial planning, here's my shot at it.

Relationships and mental attitude: The level of success you attain in this profession, and in life in general, will be mainly due to three things: First, the personal and career goals you set for yourself and your family. Second, the strength of your convictions. And third, the amount of focused, effective effort you make attaining your goals every day of your life.

I've identified a few important books that help with relationships and mental attitude:

- "How to Win Friends & Influence People" by Dale Carnegie
- "The Greatest Salesman in the World" by Og Mandino
- "Lean In: Women, Work and the Will to Lead" by Sheryl Sandberg
- "Success Through a Positive Mental Attitude" by Napoleon Hill and W. Clement Stone
- "Napoleon Hill's Keys to Success" by Napoleon Hill
- "Think and Grow Rich" by Napoleon Hill
- "See You at the Top" by Zig Ziglar
- "First Things First" by Stephen R. Covey, A. Roger Merrill and Rebecca R. Merrill
- "The Speed of Trust" by Stephen M.R. Covey
- "The Confidence Factor" by Tom Mullins

Get great coaching, use the best planning and client management tools you can find, and surround yourself with a world-class organization that has everything you need to succeed. Without these things, big goals are hard to reach.

Remember, the critical value-added part of wealth management continues to be the way we interact with clients.

Remember the critical value-added part of wealth management continues to be the way we interact with clients — that is, the trust and relationships we build and the way we deliver and share information with clients. This is the most important and valuable thing we do in our business.

Having said that, the core value proposition of every business is being relentlessly altered by market, regulatory and technical forces. Changes will not stop, ever. Learn to adapt.

Dealing with change: We all experience dizzying changes around us. Some we see coming like a hurricane. Some major events are unexpected.

Most, like the inexorable collision of demographics, automation, technology, global inequality and government intervention, are slow to evolve and complex to understand, but they will dramatically reshape our world at speeds faster than any other time in history. Advisors must look well beyond their own businesses to see what's coming and act accordingly.

I've identified a few important books to help understanding why things happen and how to identify important trends and developments:

- "The Origin of Wealth" by Eric D. Beinhocker
- "Why Stock Markets Crash" by Didier Sornette
- "The Innovator's Dilemma" by Clayton M. Christensen
- "The Innovator's Solution" by Clayton M. Christensen and Michael E. Raynor
- "Seeing What's Next" by Clayton M. Christensen, Scott D. Anthony and Erik A. Roth
- "The Tipping Point" by Malcolm Gladwell

There are no crystal balls, but you can see trends coming and identify events in other industries and countries that could have a significant effect on your clients and business.

Mental resolve and decision making: A key to the magic success formula is emotional resilience and understanding how to make the right decisions. Here are books to help with mental resolve and decision making:

- "Principles" by Raymond Dalio
- "Talent is Overrated" by Geoff Colvin
- "Good to Great" by Jim Collins
- "Built to Last" by Jim Collins and Jerry I. Porras
- "The Power of Many: Values for Success in Business and in Life" by Meg Whitman
- "The 7 Habits of Highly Effective People" by Stephen R. Covey
- "Blink" by Malcolm Gladwell
- "Leadership Gold" by John C. Maxwell

Wealth management firms that increase efficiency by using of artificial intelligence and deliver a "wow" client experience by using tools like virtual reality and augmented reality technology will thrive in the future.

The operational core of every wealth management and planning business is information management and delivery. As it evolves, you must decide if you will be an early adopter or a follow-the-crowd user. Carry it out until you are sure it's working. If it isn't working, move to something better quickly.

Parting thoughts: For the past 14½ years, I've written about business, management, people, regulations, operations, technology and strategy, all with the idea of helping each reader make their practice better. I've shared projects and programs that worked well, and some that didn't. I hope my recounting our successes and failures has helped you to see what's next. **FP**

Glenn G. Kautt, *CFP, EA, a* Financial Planning *columnist, recently retired as an advisor and principal of Savant Capital Management, based in Rockford, Illinois.*

Quotable Leaders

"Change is the law of life. Those who look only to the past or present are certain to miss the future." — John F. Kennedy

"Disciplining yourself to do what you know is right and important, although difficult, is the high road to pride, self-esteem and personal satisfaction." — Margaret Thatcher

"Never give in. Never, never, never, never." — Winston Churchill

"The best way to predict the future is to create it." — Peter Drucker

"Most of us can't even begin to imagine." — Meg Whitman

"Chance favors only the prepared mind." — Louis Pasteur

"Speed happens when people … truly trust each other." — Edward Marshall

"If you're not fast, you're dead." — Jack Welch

"Men are anxious to improve their circumstances but are unwilling to improve themselves; they therefore remain bound." — James Allen

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— MARTY BICKNELL
CEO & President
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Fidelity INVESTMENTS

With Donald Trump in the White House, many advisors say the subject of politics, while it can't be avoided, can actually help them to cement bonds with clients.

BLOOMBERG NEWS

Political Rap Sessions

"We're told that good advisors stay away from politics, but I disagree," says one advisor.

By Charles Paikert

Are you avoiding discussions with your clients about politics in the Trump era? You may want to reconsider your position.

Even in this hyperpartisan era, it may be beneficial for your practice to engage with clients about this controversial subject to identify related financial concerns and behaviors, according to a new study from Spectrem Group.

"Politics is such an integral part of people's mindset right now that it's a mistake for advisors to sweep it under the rug for fear of offending clients," says Tom Wynn, director of affluent research for Spectrem Group. "People want their advisors' interpretation of the situation in Washington to help them make decisions."

Clients' Political Interest Peaked

Indeed, the political environment and government gridlock were the primary concerns among clients surveyed by Spectrem for its report "Politics, Taxes and Investors' Changing Attitudes."

More than 52% of those surveyed said they cared more about politics now than in the past.

Advisors generally agree that although it may seem counterintuitive, discussing politics with clients can be beneficial.

With Donald Trump in the White House, many say, the subject often cannot be avoided.

"We're told that good advisors stay away from politics, but I disagree," says Andy Berg, principal of Atlanta-based Homrich Berg. "I think it's healthy to know how clients feel about politics. How it affects the economy and their money is totally on point."

Being able to discuss politics candidly also helps cement a bond between advisors and clients.

"It's hard to build trust with clients without both parties being candid," says Derek Holman, managing director of EP Wealth Advisors in Los Angeles.

"You have to be able to communicate openly, not just about politics, but about life, which can include politics," he says.

Steve Prostano, head of family wealth advisors for Bank of the West Wealth Management, agrees. Talking about politics doesn't change the advice he would give clients, he says, but it does help to "get to know them better as people."

Getting a Better Grasp

The Spectrem Group report, however, does suggest that knowing clients' politics may influence, or at least inform, how an advisor can interact with them.

Asking a few questions can assist advisors "in trying to understand issues clients may be concerned about due to their political leanings," the report states.

For example, investors describing themselves as Democrats are "much more concerned" about the economy than Republicans or independents, and they are "more worried" about market volatility and outliving their assets, according to the survey.

Such differences can influence the way you interact with clients, the report states. "If you anticipate they lean toward more liberal issues, focus on retirement income and socially responsible issues. Take an educational approach. If you think they are more conservative, presume they feel they know a lot about investments and focus on the results."

Advisors shied away from endorsing these generalizations, but did cite some practical benefits of discussing the political climate with clients.

The day after the election in November 2016 brought a flood of calls into EP Wealth's offices, Holman recalled. "We fielded a lot of calls from clients who felt strongly about the election on both sides," he says.

"Some wanted to be more aggressive with their portfolios than they probably should have been and some were more conservative than they should have been," Holman notes.

"Our job is to take the emotion out of their decision and help them invest more pragmatically," Holman says.

Knowing a client's politics can also help avoid an embarrassing faux pas, Berg points out. "The more you know about the client or prospect, the less likely you are to put your foot in your mouth," he says.

Today's tense climate has spurred some advisors to take a direct approach to talking politics with clients.

"For the first time in my professional career, I have started expressing my opinion about the current president," says Linda Lubitz Boone, president of the Lubitz Financial Group in Miami.

"If all we do is bitch about something and don't take any action, we then are part of the problem," she says.

"So, for right now, my way of being active is to have conversations with clients who want to talk [about politics] about my fears of the direction our country is heading." **FP**

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

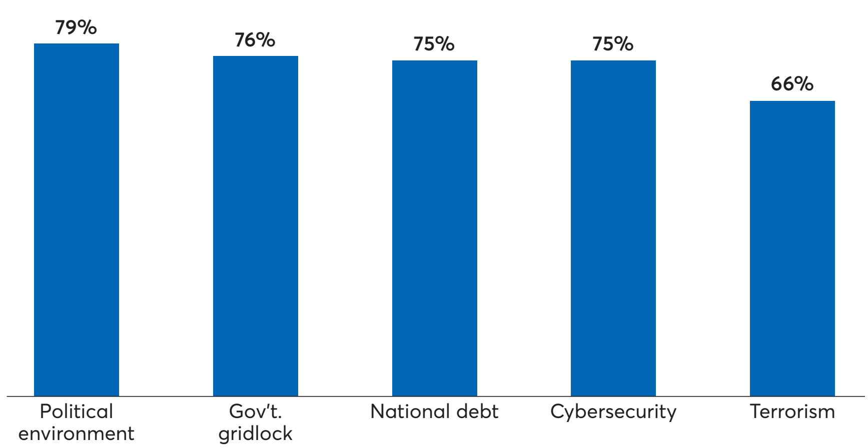
More HNW Clients Are Interested in Politics

- 52% of U.S. investors say they are more interested in politics than they were in the past, with 28% indicating they are "significantly" more interested in politics than they were previously.
- More than 80% disapprove of the fact that Congress primarily votes along party lines.
- About 77% say they believe congressional representatives should be bound by term limits.
- Almost half of investors predict the Dow will close between 26,000 and 28,999 at the end of 2018, but just 18% of investors believe the bull market will continue for more than two years.

Source: Spectrem Group 2018 study, "Politics, Taxes and Investors' Changing Attitudes."

National Concerns of Clients

Political worries are top of mind



Source: Spectrem Group

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in Overall
Satisfaction*
Ranked
#1
in Product
Offerings*

ILLUSTRATOR - ELROY KLEE

Adapt to survive

The nation's largest independent broker-dealers are growing again, but are they innovating fast enough to keep up with industry transformation?

By Tobias Salinger

FP50: Adapt to Survive

IBDs began the movement to independence. Now they risk being overtaken by it. The headwinds shaking the industry haven't relented, even after independent broker-dealers produced their strongest revenue growth in three years.

Serious pressures face the top IBDs analyzed by *Financial Planning* for the 33rd annual *FP*50. Shrinking margins and bulked-up regulatory oversight, and growing competition and consolidation, are just a few.

"The value proposition of an IBD from 20 years ago has to change. There's little demand left for only processing transactions," says Cambridge Investment Research CEO Amy Webber. "It's a relationship business. It's a consulting business. If they don't transform, survival will be difficult."

By the Numbers

The nation's largest IBDs showed positive steps on that front in 2017. After a slight contraction in revenue in 2015 and an even larger drop in 2016, total revenue at the top 50 firms rose 8.6% to $25.7 billion in 2017.

While the list of the 50 largest IBDs changes slightly from year to year based on their level of business and mergers and acquisitions, the past year marked the highest growth among the *FP*50 since their revenue expanded by 12.7% in 2014. All but three firms reported increases in revenue, with 24 of the top 50 firms producing double- or triple-digit percentage gains.

In 2017, fee-based revenue overtook commission-based revenue for the first time.

The record high in combined revenue amounts to nearly double the firms' $13.2 billion in 2007, but it obscures the notable disparity between fees and commissions. In 2017, fee-based revenue overtook commission-based revenue for the first time.

Fees of a little more than $11 billion at the top 50 firms were $112.2 million higher than their commissions. Fee revenue has more than tripled in the past 10 years, while commissions have gone up only 21%.

The rise in fee-based business is a switch "from commission-based to recurring revenue," says John Anderson, managing director of SEI Advisor Network's practice management solutions team.

"You're having better financial performance at these IBDs today because more and more of their clients have moved to this recurring revenue model," he says.

Regulatory Burden

The U.S. Department of Labor's fiduciary rule accelerated the change, says John Rooney, a managing principal with Commonwealth Financial Network.

Even though the rule is most likely dead after an appeals court vacated it, compliance efforts that had already been put in motion and are now mostly solidified — coupled with strong stock market returns and rising interest rates — paid off for IBDs in 2017.

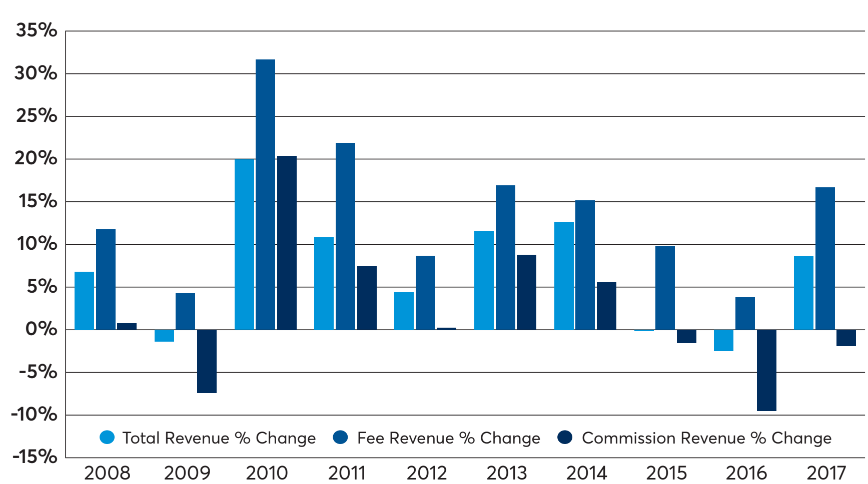
The Securities and Exchange Commission's proposed Regulation Best Interest may force IBDs to make further adjustments to get into compliance as the agency gathers public comments. Rooney, who is also the chairman of the Financial Services Institute's political action committee, sees enhanced oversight, in part, as an opportunity for IBDs, though.

"Ironically, what we're seeing is that the increasing regulatory scrutiny being extended to the RIA channel, either from the SEC or the state agencies, is working in our favor," Rooney says. "A number of large RIAs are concerned that they'll encounter regulatory issues which could become existential and appreciate having a full-time compliance staff to support them."

Nevertheless, the enhanced regulatory burden and the rise of low-cost, passive strategies in asset management have also cut into the margins of IBDs, says Kenton Shirk, who is director of the intermediary practice at Cerulli Associates.

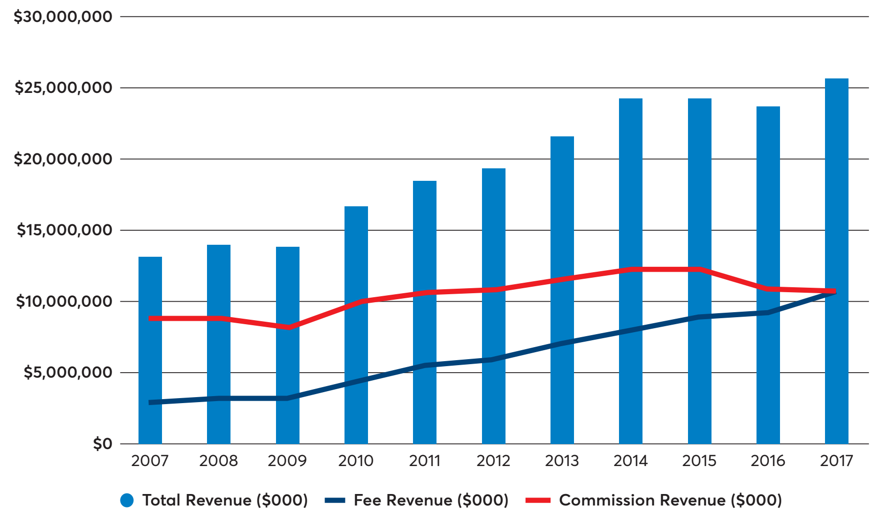
For example, the average asset-linked fee on mutual funds and ETFs dropped roughly 8% to 52 cents per

FP50: Yearly Shifts in Revenue, 2007-2017



Source: Company data

FP50 Long-Term Trends, 2007-2017



Source: Company data

$100 invested in 2017, according to Morningstar, which notes it as the largest decline since 2000.

The long-term downward trend in asset-management fees, which accelerated ahead of the partial implementation of the fiduciary rule, has cut into the revenue shared by IBDs and asset managers. The lost revenue came with extra regulatory burdens and expenses ahead of the rule's partial implementation a year ago.

At the same time, Shirk says, firms need to attract and retain advisors by improving services. Tools like planning software, practice management coaching and upgraded customer relationship management systems will help IBDs compete against the fully independent RIA model, he says.

"Without scale, it's hard to stay competitive and it's getting harder," Shirk says. "Being able to offer that fully integrated and comprehensive suite of services and ensuring advisors are using it is going to be key for independent broker-dealers reinforcing that value proposition."

Winners and Losers

Many IBDs have failed to crack the formula of lower margins with better services or have given up trying to do so as the number of RIAs increases each year.

The count of IBDs has fallen by 28% since 2007, to 847 firms, as operating margins at IBDs declined to 3% from 11%, according to Echelon Partners. At the same time, the number of SEC-registered RIAs has jumped 57% to 14,957 firms.

The margins will get even smaller in a business that is "getting more complex and will continue to get more complex," says Bill Morrissey, president of LPL Financial's business development unit.

"For our financial advisors to maintain their same quality of life, they're going to be forced to work with more clients and solve for a broader, more complex set of needs," Morrissey says. "As their partner, we need to help them with that."

Morrissey's firm, a pioneer of the independent space and its longtime giant, faces growing competition. LPL has been the largest IBD for 17 years, but the No. 2 firm, Ameriprise, closed to within $21.5 million of LPL's $4.28 billion in revenue in 2017, narrowing the gap from $32 million a year earlier.

Moving Upward

Ameriprise's emergence was inevitable because the firm has "always had that legacy of planning, and planning always leads to managed money," says Tim Welsh, CEO of Nexus Strategy. LPL's offerings of research, technology and other broker-dealer services also may no longer hold as much appeal, Welsh adds.

"There are lots of other places for advisors to go get that stuff in an open architecture environment," Welsh says. "So they should be on red alert."

Indeed, other big firms are also moving upward. Cambridge, Commonwealth and Raymond James each saw double-digit revenue growth in 2017. Cetera Financial Group, Advisor Group and Ladenburg Thalmann — the three largest networks — and their 15 subsidiary IBDs also reported increases for the year.

The count of IBDs has fallen by 28% since 2007, while the number of SEC-registered RIAs jumped 57% to 14,957 firms.

At No. 35, the midsize firm Independent Financial Group increased its year-over-year revenue by 13% to $139.3 million. The IBD opened in 2003 after its three managing directors met at SunAmerica Securities, a forerunner of SagePoint Financial, says David Fischer, the firm's head of recruiting and marketing.

The San Diego-based firm set an internal record for recruiting in 2017 by adding 97 advisors with $25 million in production, Fischer says. Independent Financial eschews the big upfront bonuses, call centers and proprietary technology and products of the giants and instead offers flexible open

architecture, family-friendly conferences and personal services for advisors, Fischer says.

"They've served their time at those large organizations, and they want to get back to a partnership," he says. "We're really not making deals, we're making promises that we're living up to."

Competition and Consolidation

LPL rivals like Independent Financial, Cetera, Ladenburg's Securities America and Advisor Group's Woodbury Financial Services tapped the 3,200 advisors of National Planning Holdings' four IBDs for recruits after the No. 1 IBD acquired their assets in August. LPL has retained about 70% of National Planning's business, though.

"Our client concentrations are getting larger," says Carolyn Clancy of Fidelity Clearing.

Like LPL's deal with Jackson National Life Insurance, other major M&A deals revolved around insurance firms. So-called product manufacturer IBDs remain a significant and, in some cases, growing presence in the space.

In December, the private equity-backed No. 14 IBD, Kestra Financial, purchased H. Beck, the No. 38 firm, from Securian Financial Services, the No. 20 IBD. Securian, whose parent firm also has an insurance firm, picked up a minority stake in Kestra while retaining its existing IBD with more than 1,100 advisors.

M&A deals have trimmed Fidelity Clearing & Custody Solutions' fleet of client IBDs to around 200 over the past four years even as the custodian's overall client assets have more than doubled, according to Carolyn Clancy, head of the broker-dealer segment.

"It's just massive consolidation, and our client concentrations are getting larger," Clancy said in an interview in late January, citing Fidelity client MassMutual's acquisition of a MetLife unit. "So our big [IBDs] are getting bigger and our smaller are kind of staying the same."

MassMutual's MML Investors Services fully absorbed the advisors and assets of MetLife's MSI Financial Services in March 2017, and in the process rose to the ranks of the top 10 IBDs. After the deal, MML joined only four other IBDs and three networks with more than $1 billion in annual revenue.

Lincoln Financial Network maintained a spot in the top 10 at No. 9 even though its revenue ticked down 1% to $740.2 million in 2017. But the firm has launched a multiyear technology upgrade and is "aggressively looking to grow our base of advisors," says LFN President David Berkowitz.

Mid-tier and smaller IBDs face uncertain futures, especially if the double-digit stock gains of 2017 do not continue in future years, according to Berkowitz. LFN's parent firm, Lincoln Financial Group, equips the firm to deal with the "Darwinian aspects of the industry," he adds.

"If you look back at the last 200-plus years in our country, there are a lot of examples where size and scale and financial strength really mattered," Berkowitz says, describing Lincoln as having "the financial wherewithal to play in this space and do it well."

Mid-tier and smaller IBDs face uncertain futures, according to David Berkowitz of Lincoln Financial Network.

The consolidation has shown no signs of letting up, though.

Cetera — the largest IBD network with six firms and $1.8 billion in revenue last year — and its parent firm, Aretec, have retained Goldman Sachs for a capital structure review. A sale looms as one possible outcome of the review.

The consolidation, pressure on margins, bulked-up regulations and advanced average age of advisors will continue roiling a space still divided among insurance-owned firms, private equity-backed firms, privately held firms and publicly traded ones, says LPL's Morrissey.

"I think the NPH acquisition is representative of a number of the trends that are manifesting themselves in the marketplace today," he says.

"The industry is at an inflection point." **FP**

***Tobias Salinger** is an associate editor of* Financial Planning. *Follow him on Twitter at @TobySalFP.*

TOTAL REVENUES

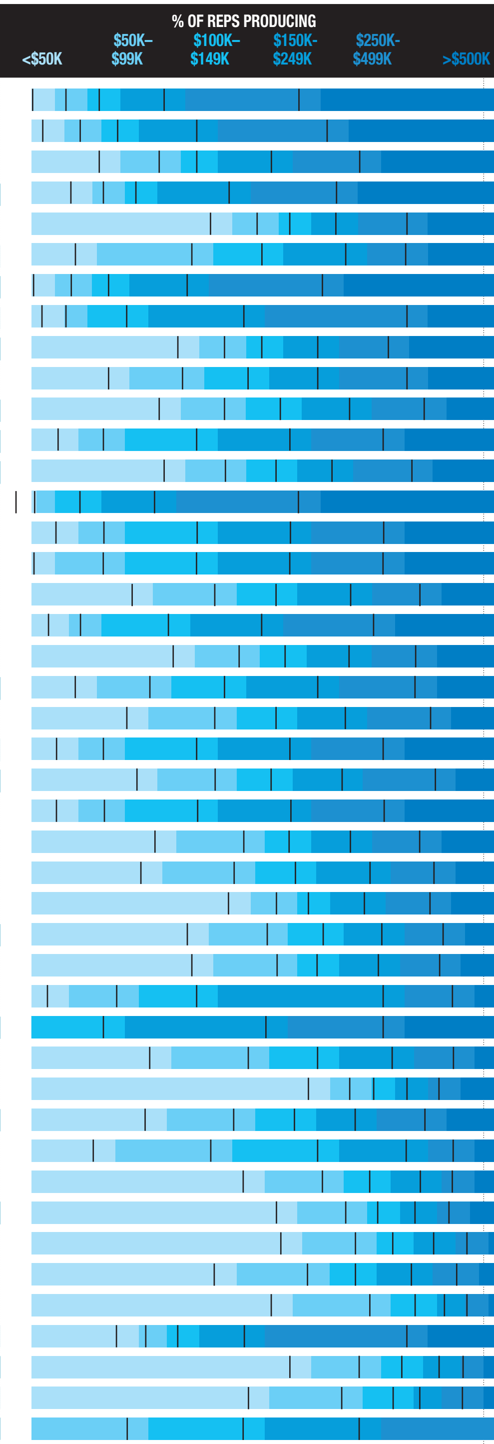
FP50 RANK 2018	2017	COMPANY	TOTAL REVENUES $000	% CHANGE	COMMISSION REVENUE $000	% CHANGE	FEE REVENUE $000	% CHANGE	OTHER REVENUE $000	% CHANGE
1	1	LPL Financial	4,281,481	5.7	1,670,824	(3.8)	1,409,248	9.3	1,201,409	17.5
2	2	Ameriprise Financial	4,259,992	8.0	1,199,834	(9.9)	2,332,589	16.7	727,570	18.2
3	3	Raymond James Financial Services	2,071,244	15.7	671,486	3.6	1,041,912	21.9	357,845	24.7
4	4	Commonwealth Financial Network	1,241,572	16.2	245,870	(11.1)	798,295	23.9	197,407	33.8
5	15	MML Investors Services	1,050,377	185.8	669,472	179.0	367,113	250.9	13,792	(38.1)
6	5	Northwestern Mutual Investment Services	945,412	25.0	225,865	17.6	628,450	26.1	91,097	38.6
7	8	Cambridge Investment Research	811,396	14.0	259,820	7.8	459,797	18.4	91,779	11.8
8	7	AXA Advisors	786,527	8.1	557,030	3.8	194,385	22.3	35,113	10.3
9	6	Lincoln Financial Network	740,186	(1.0)	483,577	(5.6)	191,969	9.5	64,641	8.6
10	10	Securities America	637,300	19.0	258,200	12.4	312,100	25.6	67,000	16.5
11	9	Cetera Advisor Networks	606,849	5.9	274,097	(1.8)	247,512	9.7	85,240	25.3
12	12	Royal Alliance Associates	483,860	3.6	196,363	5.7	205,213	(11.4)	82,284	66.1
13	11	Waddell & Reed Financial Advisors	476,612	(2.2)	172,443	(12.2)	235,135	4.7	69,034	3.8
14	13	Kestra Financial	475,418	12.4	187,624	3.9	245,563	24.2	42,231	(5.5)
15	14	Voya Financial Advisors	429,304	9.0	260,214	3.0	147,299	18.7	21,791	28.7
16	16	Signator Investors	423,282	18.5	291,121	10.0	110,048	36.1	22,114	86.3
17	19	SagePoint Financial	351,697	14.4	180,234	6.0	109,181	6.2	62,283	78.9
18	20	Cetera Advisors	351,214	23.4	151,294	22.5	152,684	22.0	47,236	31.6
19	18	HD Vest Financial Services	348,620	10.1	68,199	5.8	145,694	12.6	134,727	9.8
20	17	Securian Financial Services	346,400	6.4	186,300	(1.2)	120,500	19.5	39,600	9.4
21	25	Lincoln Investment Planning	309,700	33.2	121,296	10.9	177,969	53.8	10,435	38.4
22	21	Principal Securities	299,570	7.2	233,808	4.4	65,756	18.7	5	116.0
23	24	Woodbury Financial Services	285,584	12.5	178,634	2.1	62,393	16.3	44,557	75.9
24	23	Cetera Financial Institutions	283,972	7.9	186,832	0.7	35,282	36.1	61,858	19.9
25	22	FSC Securities	281,119	2.6	136,798	0.8	92,132	(15.5)	52,189	43.2
26	26	First Allied Securities	231,451	3.0	119,643	(5.5)	75,288	11.5	36,519	19.9
27	28	American Portfolios Financial Services	190,146	10.9	98,949	7.9	91,197	27.2	n/a	n/a
28	27	Triad Advisors	183,881	6.1	66,501	(6.2)	92,069	4.6	25,312	76.7
29	29	CUNA Brokerage Services	172,600	9.2	148,300	6.9	17,200	16.2	7,100	57.8
30	30	M Holdings Securities	165,517	5.8	136,309	5.9	22,857	42.4	6,351	98.5
31	32	Summit Brokerage Services	161,930	12.1	87,534	(3.5)	51,013	44.2	23,384	27.5
32	31	Cadaret Grant	158,486	6.0	109,393	4.6	44,131	7.1	4,962	34.2
33	33	Centaurus Financial	147,028	1.8	110,271	0.3	36,757	6.3	n/a	n/a
34	36	Cetera Financial Specialists	144,219	11.9	60,597	2.7	70,332	17.7	13,290	30.8
35	37	Independent Financial Group	139,275	13.3	77,317	9.0	51,061	21.7	10,898	8.8
36	35	Ameritas Investment	136,200	3.1	81,400	1.8	40,700	10.9	14,100	(8.4)
37	38	Securities Service Network	118,224	5.9	48,291	(15.7)	57,767	23.7	12,165	(1.2)
38	39	H. Beck	114,699	6.7	75,913	4.1	31,643	15.1	7,143	0.8
39	40	Geneos Wealth Management	111,914	7.1	25,721	(39.0)	82,139	41.1	4,055	(0.6)
40	43	United Planners Financial Services	110,946	14.0	48,178	(8.3)	62,769	40.2	n/a	n/a
41	41	Questar Capital	110,689	7.7	85,413	5.0	17,407	15.8	7,868	21.7
42	44	KMS Financial Services	108,414	12.4	43,733	4.2	55,268	15.2	9,413	44.4
43	45	J.W. Cole Financial	104,600	14.4	73,220	9.2	31,380	28.7	n/a	n/a
44	42	ProEquities	98,087	0.2	60,919	(6.0)	26,898	16.4	10,269	2.8
45	34	Transamerica Financial Advisors	93,818	(29.6)	74,059	(18.3)	14,642	(55.6)	5,117	(47.1)
46	46	Investacorp	92,082	4.9	57,226	(0.3)	22,919	10.8	11,937	23.1
47	47	PlanMember Securities	85,648	14.1	25,320	(1.7)	59,728	22.5	600	2.4
48	48	Kovack Securities	74,590	14.1	37,275	0.1	32,508	15.4	4,807	n/a
49	49	O.N. Equity Sales	62,826	10.9	51,499	6.9	11,243	32.8	85	69.9
50	51	Prospera Financial Services	50,793	16.1	25,640	19.9	20,924	12.0	4,229	14.6
		MEDIAN	256,285	9.14	128,803	3.27	78,714	18.04	22,749	21.74

PAYOUT GRIDS

COMPANY	MUTUAL FUNDS %	STOCKS %	BONDS %	ANNUITIES %	INSURANCE %	ALTERNATIVES %	REP MGD. %	FIRM MGD. %	OUTSIDE MGD. %
American Portfolios Financial Services	90	90	90	90	90	90	90	90	90
Ameriprise Financial	Up to 91	Up to 91	Up to 91	Up to 91	Up to 91	Up to 91	Up to 91	Up to 91	Up to 91
Ameritas Investment	50-94	50-94	50-94	50-94	50-94	50-94	50-94	50-94	50-94
AXA Advisors	53.75-82.5	53.75-82.5	53.75-82.5	55-90	55-90	53.75-82.5	53.75-82.5	53.75-82.5	53.75-82.5
Cadaret Grant	90	90	90	90	92	90	95	90	90
Cambridge Investment Research	up to 100	up to 100	up to 100	up to 100	up to 100	up to 100	up to 100	up to 100	up to 100
Centaurus Financial	Up to 90	Up to 90	Up to 90	Up to 90	Up to 90	Up to 90	Up to 90	Up to 90	Up to 90
Cetera Advisor Networks	Set by OSJ	Set by OSJ	n/a	Set by OSJ	Set by OSJ	n/a	n/a	n/a	n/a
Cetera Advisors	Set by OSJ	Set by OSJ	n/a	Set by OSJ	Set by OSJ	n/a	n/a	n/a	n/a
Cetera Financial Institutions	Up to 92	Up to 90	n/a	Up to 95	Up to 95	n/a	n/a	n/a	n/a
Cetera Financial Specialists	Up to 90	Up to 90	n/a	Up to 90	Up to 90	n/a	n/a	n/a	n/a
Commonwealth Financial Network	Up to 95	Up to 95	Up to 95	Up to 95	Up to 100	Up to 95	Up to 100	Up to 100	Up to 100
CUNA Brokerage Services	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
First Allied Securities	Up to 95	Up to 95	n/a	Up to 95	Up to 100	n/a	n/a	n/a	n/a
FSC Securities	90-95	80-95	80-95	90-95	90-95	90-95	90-98	n/a	n/a
Geneos Wealth Management	50-92	50-92	50-92	50-92	50-65	50-92	50-93	50-95	50-95
H. Beck	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
HD Vest Financial Services	76.9	76.9	76.9	76.9	76.9	76.9	76.9	76.9	76.9
Independent Financial Group	90-95	80-95	80-95	90-95	90-95	90-95	90-95	90-95	90-95
Investacorp	90	90	90	90	90	90	90	90	90
J.W. Cole Financial	90	90	90	90	90	90	90	90	90
Kestra Financial	65-95	65-95	65-95	65-95	96	65-95	65-95	65-95	65-95
KMS Financial Services	65-96	65-96	65-96	65-96	65-96	65-96	65-96	n/a	65-96
Kovack Securities	90	90	90	90	90	90	90	90	90
Lincoln Financial Network	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lincoln Investment Planning	Varies	Varies	Varies	Varies	Varies	Varies	Varies	Varies	Varies
LPL Financial	90-98	77-91	77-91	90-98	90-98	90-98	90-98	n/a	90-98
M Holdings Securities	95	95	95	95	97	95	95	95	95
MML Investors Services	40 -82.5	40 -82.5	40-82.5	40 -82.5	40-82.5	40-82.5	40-82.5	40-82.5	40-82.5
Northwestern Mutual Investment Services	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
O.N. Equity Sales	Up to 92	Up to 92	Up to 92	Up to 92	Up to 92	Up to 92	Up to 92	Up to 92	Up to 92
PlanMember Securities	up to 93	up to 93	up to 93	up to 93	100	up to 93	up to 93	up to 93	up to 93
Principal Securities	65-95	65-95	65-95	55-95	80-100	65-95	65-95	n/a	65-95
ProEquities	up to 92	up to 92	up to 92	up to 92	up to 92	up to 92	up to 92	up to 92	up to 92
Prospera Financial Services	Up to 99	Up to 99	Up to 99	Up to 99	Up to 99	Up to 99	Up to 99	Up to 99	Up to 99
Questar Capital	up to 90	up to 90	up to 90	up to 90	up to 90	up to 90	up to 90	up to 90	up to 90
Raymond James Financial Services	Prod-based	Prod-based	Prod-based	Prod-based	Prod-based	Prod-based	Prod-based	Prod-based	Prod-based
Royal Alliance Associates	90-95	80-95	80-95	90-95	90-95	90-95	90-98	n/a	n/a
SagePoint Financial	90-95	80-95	80-95	90-95	90-95	90-95	90-98	n/a	n/a
Securian Financial Services	up to 95	up to 95	up to 95	up to 95	up to 93	n/a	up to 95	up to 95	up to 95
Securities America	Up to 95	Up to 95	Up to 95	Up to 95	Up to 100	Up to 95	Up to 95	Up to 95	Up to 95
Securities Service Network	98	98	98	94	100	85	98	n/a	95
Signator Investors	91-94	91-94	91-94	91-94	91-94	91-94	91-94	91-94	91-94
Summit Brokerage Services	86-95	86-95	n/a	86-95	96-100	n/a	n/a	n/a	n/a
Transamerica Financial Advisors	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Triad Advisors	85-92	85-92	85-92	85-92	85-92	85-92	92-100	92-100	92-100
United Planners Financial Services	90-95	90-95	90-95	90-95	90-95	90-95	90-95	n/a	90-95
Voya Financial Advisors	92	92	92	92	92	92	92	92	92
Waddell & Reed Financial Advisors	Up to 92	Up to 92	Up to 92	Up to 92	Up to 92	Up to 92	Up to 92	Up to 92	Up to 92
Woodbury Financial Services	90-95	80-95	80-95	90-95	90-95	90-95	90-98	n/a	n/a

REPS & PRODUCTION

	FP50 RANK 2018	COMPANY	AVERAGE PAYOUT $000	AVERAGE PAYOUT % CHANGE	TOTAL PAYOUT $000	TOTAL PAYOUT % CHANGE
1	4	Commonwealth Financial Network	512	11.0	910,367	15.4
2	3	Raymond James Financial Services	349	5.6	1,448,956	14.5
3	52	Strategic Financial Alliance	329	17.4	41,068	15.6
4	39	Geneos Wealth Management	313	(2.2)	97,065	9.0
5	30	M Holdings Securities	285	7.0	154,503	4.1
6	37	Securities Service Network	278	5.3	98,705	5.6
7	50	Prospera Financial Services	274	10.3	37,026	10.3
8	28	Triad Advisors	267	1.0	161,816	1.8
9	14	Kestra Financial	264	6.7	353,875	8.2
10	42	KMS Financial Services	262	3.1	90,024	10.1
11	7	Cambridge Investment Research	256	7.9	811,396	14.0
12	12	Royal Alliance Associates	240	(5.8)	378,641	(1.1)
13	20	Securian Financial Services	237	13.4	269,000	5.9
14	43	J.W. Cole Financial	231	12.5	94,101	13.0
15	25	FSC Securities	229	(0.5)	211,718	(1.9)
16	40	United Planners Financial Services	224	0.9	96,955	1.6
17	35	Independent Financial Group	211	5.5	116,007	14.2
18	33	Centaurus Financial	210	2.3	132,178	2.0
19	10	Securities America	204	5.3	512,000	19.4
20	13	Waddell & Reed Financial Advisors	202	26.9	275,750	(2.6)
21	32	Cadaret Grant	197	8.9	129,694	5.2
22	23	Woodbury Financial Services	196	0.3	215,874	8.1
23	27	American Portfolios Financial Services	191	9.5	133,047	12.7
24	17	SagePoint Financial	191	2.9	266,453	11.7
25	21	Lincoln Investment Planning	190	(7.4)	210,665	30.4
26	15	Voya Financial Advisors	188	17.5	338,550	6.3
27	1	LPL Financial	176	(3.0)	2,669,599	2.7
28	16	Signator Investors	164	33.7	328,635	24.7
29	38	H. Beck	160	5.4	94,144	4.2
30	48	Kovack Securities	147	1.9	58,180	8.8
31	46	Investacorp	142	(4.0)	67,623	(3.4)
32	41	Questar Capital	141	8.5	90,480	6.7
33	6	Northwestern Mutual Investment Services	134	19.0	690,765	21.4
34	47	PlanMember Securities	131	20.6	59,636	13.3
35	53	Crown Capital Securities	116	3.1	40,386	6.5
36	44	ProEquities	112	8.5	78,474	1.2
37	36	Ameritas Investment	98	2.0	100,920	3.8
38	22	Principal Securities	96	29.1	152,159	9.7
39	8	AXA Advisors	93	(23.7)	403,955	(24.5)
40	49	O.N. Equity Sales	82	7.0	52,782	6.2
41	29	CUNA Brokerage Services	78	11.7	33,386	18.9
42	5	MML Investors Services	76	30.4	657,056	201.1
43	19	HD Vest Financial Services	59	23.0	235,203	9.9
44	45	Transamerica Financial Advisors	22	72,387	n/a	n/a
45	2	Ameriprise Financial	n/a	n/a	n/a	n/a
46	9	Lincoln Financial Network	n/a	n/a	n/a	n/a
47	11	Cetera Advisor Networks	n/a	n/a	n/a	n/a
48	18	Cetera Advisors	n/a	n/a	n/a	n/a
49	24	Cetera Financial Institutions	n/a	n/a	n/a	n/a
50	26	First Allied Securities	n/a	n/a	n/a	n/a



AVERAGE PRODUCTION OF TOP 20%	2017 QUOTA	2016 QUOTA	TOTAL REPS	% CHANGE	PRODUCING REPS	% CHANGE	REPS ADDED	REPS DROPPED	SERIES 6 REPS	SERIES 7 REPS	CFPs
1,268,515	200,000	20,000	2,172	4.7	1,778	4.0	232	134	130	1,970	795
1,321,025	300,000	300,000	5,999	15.0	4,147	8.4	288	97	n/a	n/a	1,167
922,000	n/a	n/a	178	1.7	125	(1.6)	18	21	12	161	54
1,049,334	150,000	n/a	345	11.3	310	11.5	44	6	2	309	98
1,100,370	n/a	n/a	830	(3.0)	543	(2.7)	n/a	n/a	n/a	n/a	64
929,181	75,000	75,000	423	(1.9)	355	0.3	41	40	164	282	111
997,479	300,000	300,000	135	0.0	135	0.0	7	7	n/a	135	13
822,412	400,000	350,000	810	0.6	605	0.8	50	45	n/a	n/a	n/a
966,221	100,000	100,000	1,876	9.6	1,339	1.4	150	123	798	1,175	310
866,119	n/a	n/a	416	3.7	344	6.8	28	45	50	373	100
641,831	n/a	n/a	3,956	5.8	3,175	5.7	436	309	541	2,567	778
n/a	n/a	n/a	2,876	3.4	1,580	5.0	n/a	n/a	n/a	n/a	n/a
681,400	n/a	n/a	1,134	(6.6)	1,134	(6.6)	148	228	0	957	204
824,550	150,000	100,000	480	1.1	407	0.5	32	27	97	385	67
n/a	n/a	n/a	1,710	(1.9)	925	(1.5)	n/a	n/a	n/a	n/a	n/a
602,120	75,000	75,000	537	0.2	433	0.7	50	40	78	376	104
705,900	150,000	125,000	625	6.3	550	8.3	132	90	84	479	105
674,183	50,000	50,000	633	(0.3)	628	(0.3)	68	70	55	578	242
756,031	150,000	150,000	2,506	13.4	2,506	13.4	n/a	n/a	n/a	2,178	674
676,860	75,000	75,000	1,467	(23.0)	1,367	(23.2)	131	544	n/a	n/a	261
627,104	125,000	150,000	830	0.0	660	(3.4)	77	77	160	532	141
n/a	n/a	n/a	1,936	11.3	1,104	7.8	n/a	n/a	n/a	n/a	n/a
586,927	100,000	75,000	837	3.2	695	3.0	54	49	193	644	102
n/a	n/a	n/a	2,344	0.9	1,397	8.5	n/a	n/a	n/a	n/a	n/a
692,072	40,000	40,000	1,487	32.1	1,107	40.8	457	121	626	831	223
487,553	n/a	n/a	2,348	(10.2)	1,800	(9.5)	107	297	n/a	n/a	283
798,483	n/a	n/a	15,210	5.8	15,210	5.8	n/a	n/a	1,593	13,617	n/a
521,535	n/a	n/a	2,007	(6.7)	2,007	(6.7)	208	353	796	1,160	554
n/a	50,000	50,000	589	(1.2)	589	(1.2)	45	81	179	472	95
532,000	50,000	50,000	415	2.5	395	6.8	n/a	n/a	118	324	72
475,000	100,000	n/a	565	3.5	476	0.6	42	53	n/a	n/a	95
428,490	25,000	25,000	640	(1.7)	640	(1.7)	83	97	255	385	n/a
519,994	n/a	n/a	5,138	2.0	5,138	2.0	545	444	n/a	n/a	n/a
940,677	35,000	35,000	454	(6.0)	454	(6.0)	40	68	n/a	n/a	43
366,266	50,000	50,000	371	3.9	347	3.3	84	54	63	285	82
377,134	20,000	20,000	n/a	n/a	700	(6.7)	n/a	n/a	n/a	n/a	n/a
415,466	10,000	10,000	1,382	1.4	1,030	1.8	298	291	586	444	n/a
307,282	25,000	12,000	1,767	(14.6)	1,593	(15.0)	159	441	n/a	n/a	n/a
399,838	n/a	n/a	4,712	(1.1)	4,326	(1.1)	n/a	n/a	n/a	n/a	429
248,159	20,000	20,000	837	(2.4)	642	(0.8)	84	89	467	370	78
670,512	n/a	n/a	428	6.5	428	6.5	43	24	62	530	59
290,715	n/a	n/a	7,714	73.9	8,628	130.9	5,643	2,119	3,392	4,261	n/a
n/a	n/a	n/a	4,000	(10.7)	4,000	(10.7)	366	844	n/a	n/a	n/a
n/a	n/a	n/a	3,364	n/a	3,241	1.8	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	7,686	0.2	7,686	0.2	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	8,927	0.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	3,071	14.0	2,586	3.9	501	403	n/a	n/a	n/a
n/a	n/a	n/a	1,450	(4.9)	1,287	(5.4)	52	126	n/a	n/a	n/a
n/a	n/a	n/a	1,769	(2.0)	1,654	(1.8)	542	572	n/a	n/a	n/a
n/a	n/a	n/a	755	(7.2)	628	(9.2)	21	85	n/a	n/a	n/a

TOP 10 LISTS

REVENUE GROWTH

	FP50 RANK	COMPANY	TOTAL REV. $000	% GROWTH
1	5	MML Investors Services	1,050,377	185.77
2	21	Lincoln Investment Planning	309,700	33.16
3	6	Northwestern Mutual Investment Services	945,412	25.02
4	18	Cetera Advisors	351,214	23.42
5	10	Securities America	637,300	18.96
6	16	Signator Investors	423,282	18.46
7	4	Commonwealth Financial Network	1,241,572	16.17
8	50	Prospera Financial Services	50,793	16.09
9	3	Raymond James Financial Services	2,071,244	15.70
10	52	Strategic Financial Alliance	49,873	15.54

PAYOUT GROWTH

	FP50 RANK	COMPANY	AVERAGE PAYOUT $000	% GROWTH
1	16	Signator Investors	164	33.67
2	5	MML Investors Services	76	30.43
3	22	Principal Securities	96	29.06
4	13	Waddell & Reed Financial Advisors	202	26.88
5	19	HD Vest Financial Services	59	23.04
6	47	PlanMember Securities	131	20.58
7	6	Northwestern Mutual Investment Services	134	19.02
8	15	Voya Financial Advisors	188	17.47
9	52	Strategic Financial Alliance	329	17.41
10	20	Securian Financial Services	237	13.42

HIGH-END REPS (TOP 20% OF REPS)

	FP50 RANK	COMPANY	AVERAGE PRODUCTION $	% REPS >$150K
1	43	J.W. Cole Financial	824,550	85
2	4	Commonwealth Financial Network	1,268,515	81
3	46	Investacorp	475,000	80
4	50	Prospera Financial Services	997,479	79
5	3	Raymond James Financial Services	1,321,025	77
6	28	Triad Advisors	822,412	75
7	39	Geneos Wealth Management	1,049,334	73
8	33	Centaurus Financial	674,183	66
9	29	CUNA Brokerage Services	670,512	64
10	52	Strategic Financial Alliance	922,000	60

HIGH-END ACCOUNTS

	FP50 RANK	COMPANY	TOTAL CLIENT ASSETS $000	% ACCTS. >$100K
1	6	Northwestern Mutual Investment Services	112,964,000	88
2	36	Ameritas Investment	21,514,578	81
3	49	O.N. Equity Sales	10,193,197	79
4	20	Securian Financial Services	35,500,000	74
5	30	M Holdings Securities	36,500,000	70
6	35	Independent Financial Group	18,727,244	60
7	41	Questar Capital	13,273,695	60
8	53	Crown Capital Securities	12,349,746	60
9	47	PlanMember Securities	10,000,000	60
10	43	J.W. Cole Financial	17,377,011	55

FEE-BASED MIX

	FP50 RANK	COMPANY	FEE REVENUE $000	% OF BUSINESS
1	39	Geneos Wealth Management	82,139	73.4
2	47	PlanMember Securities	59,728	69.7
3	6	Northwestern Mutual Investment Services	628,450	66.5
4	4	Commonwealth Financial Network	798,295	64.3
5	21	Lincoln Investment Planning	177,969	57.5
6	7	Cambridge Investment Research	459,797	56.7
7	40	United Planners Financial Services	62,769	56.6
8	2	Ameriprise Financial	2,332,589	54.8
9	14	Kestra Financial	245,563	51.7
10	42	KMS Financial Services	55,268	51.0

NET CAPITAL

	FP50 RANK	COMPANY	NET CAPITAL $000	NET EXCESS CAPITAL $000
1	5	MML Investors Services	137,785	137,535
2	1	LPL Financial	99,547	91,758
3	3	Raymond James Financial Services	34,488	34,238
4	13	Waddell & Reed Financial Advisors	28,024	27,774
5	9	Lincoln Financial Network	27,700	27,200
6	4	Commonwealth Financial Network	20,603	12,185
7	29	CUNA Brokerage Services	15,900	14,562
8	22	Principal Securities	15,709	13,973
9	33	Centaurus Financial	14,873	13,553
10	8	AXA Advisors	14,439	12,509

TOP 10 LISTS (CON'T)

TOTAL ACCOUNT ASSETS

	FP50 RANK	COMPANY	TOTAL ACCOUNT ASSETS $000S	% CHANGE
1	1	LPL Financial	615,135,100	20.75
2	3	Raymond James Financial Services	298,581,836	22.93
3	5	MML Investors Services	224,800,000	207.52
4	4	Commonwealth Financial Network	137,188,000	19.90
5	8	AXA Advisors	136,600,420	14.01
6	6	Northwestern Mutual Investment Services	112,964,000	250.0
7	11	Cetera Advisor Networks	90,354,186	23.32
8	10	Securities America	86,850,000	31.59
9	14	Kestra Financial	75,838,884	0.31
10	12	Royal Alliance Associates	66,590,311	14.85

HIGHEST NUMBER OF WOMEN ADVISORS

	FP50 RANK	COMPANY	% FEMALE REPS	% MALE REPS
1	45	Transamerica Financial Advisors	39%	61%
2	28	Triad Advisors	28%	72%
3	10	Securities America	27.5%	72.5%
4	32	Cadaret Grant	25%	75%
5	43	J.W. Cole Financial	24%	76%
6	13	Waddell & Reed Financial Advisors	24%	76%
7	42	KMS Financial Services	22%	78%
8	33	Centaurus Financial	19%	81%
9	21	Lincoln Investment Planning	19%	81%
10	4	Commonwealth Financial Network	18%	82%

SMALLER FIRMS

COMPANY	TOTAL REVENUES $000	% CHANGE	COMMISSION REVENUE $000	% CHANGE	FEE REVENUE $000	% CHANGE	OTHER REVENUE $000	% CHANGE
Investment Center	50,313	11.6	29,288	12.3	17,603	12.6	3,423	1.5
Strategic Financial Alliance	49,873	15.5	16,657	14.3	22,930	24.8	10,287	0.6
Crown Capital Securities	44,476	8.4	29,906	10.8	12,289	11.9	2,281	(25.4)

COMPANY	PRODUCING REPS TOTAL	% CHANGE	TOTAL REPS	PAYOUT $000	AVG. PAYOUT TOTAL	% CHANGE	PRODUCTION $ AVG. TOP 20%	QUOTA
Investment Center	238	7.2	274	n/a	n/a	n/a	552,350	150,000
Strategic Financial Alliance	125	(1.6)	178	41,068	328,541	17.4	922,000	0
Crown Capital Securities	347	3.3	371	40,386	116,386	3.1	366,266	50,000

METHODOLOGY

The results of *Financial Planning's* 33rd annual survey of independent broker-dealers are based on data of 53 companies. Some firms we contacted did not respond in time to requests for information. *Financial Planning* relied on the firms to ensure the accuracy of the information. *FP* works to verify data when possible. N/A means not applicable or not available.

The 2017 data does not always match last year's survey because some companies restated data; as a result, some of the 2017 rankings are different. All figures reflect calendar year numbers.

Total revenues drive the *FP*50 charts. The Smaller Firms page highlights the three firms whose revenues fall below those of the *FP*50.

The data for some firms that merged may have also changed from last year.

NETWORKS

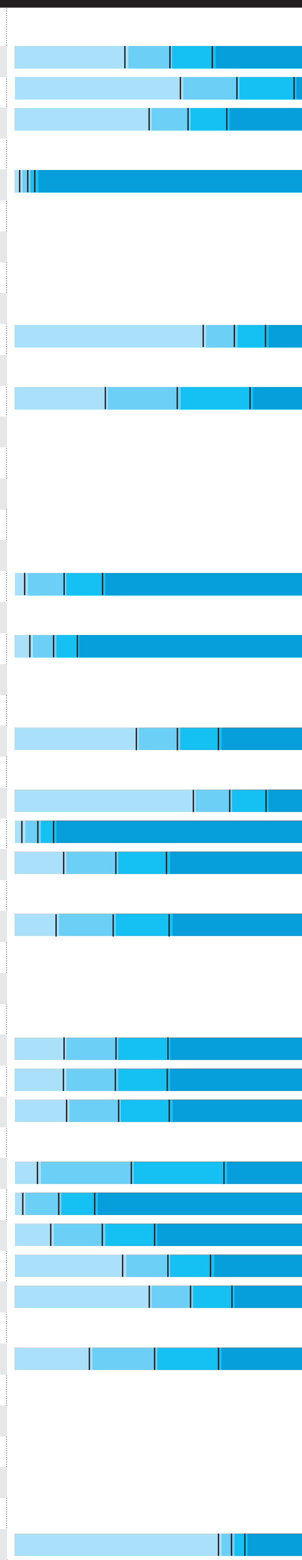
COMPANY	ADVISOR GROUP	CETERA FINANCIAL GROUP	LADENBURG THALMANN FINANCIAL SERVICES
Headquarters	Phoenix	El Segundo, California	Miami
Website	advisorgroup.com	cetera.com	ladenburg.com
Chief Executive	Jamie Price	Robert Moore	Richard Lampen
Parent Company	Advisor Group		Ladenburg Thalmann Financial Services
Broker-Dealers	SagePoint Financial FSC Securities Woodbury Financial Services Royal Alliance Associates	Cetera Advisor Networks Cetera Advisors Cetera Financial Institutions First Allied Securities Summit Brokerage Services Cetera Financial Specialists	Securities America Triad Advisors Investacorp KMS Financial Services Securities Service Network
Total BD Revenue $	1,402,260,227	1,779,634,836	1,139,900,912
% Change	7.66	9.95	13.45
Total BD Net Capital $	n/a	n/a	37,214,271
Total BD Net Excess Capital $	n/a	n/a	23,125,463

REPS	ADVISOR GROUP	CETERA FINANCIAL GROUP	LADENBURG THALMANN FINANCIAL SERVICES
Total Reps **% Change**	8,866 3.2	8,804 1.9	4,720 7.5
Producing Reps **% Change**	5,006 5.3	7,772 (2.4)	4,286 8.3
Total Payout $ **% Change**	1,072,685,897 3.4	n/a n/a	930,167,435 11.7
Average Rep Payout $ **% Change**	213,700 (1.2)	n/a n/a	230,716 2.6

PRODUCT REVENUES	ADVISOR GROUP	CETERA FINANCIAL GROUP	LADENBURG THALMANN FINANCIAL SERVICES
Total Commissions $ **% Change**	692,029,019 3.8	879,997,673 1.8	473,951,371 3.7
Mutual Funds $ **% Change**	n/a n/a	320,234,370 4.6	257,179,217 10.2
Securities $ **% Change**	n/a n/a	n/a n/a	38,332,532 66.9
Annuities $ **% Change**	n/a n/a	295,915,020 0.6	121,933,972 33.0
Insurance $ **% Change**	n/a n/a	n/a n/a	n/a n/a
Alternatives $ **% Change**	n/a n/a	n/a n/a	5,296,371 1134.6
Total Fee Revenue $ **% Change**	468,918,692 (5.6)	632,111,116 17.2	540,122,911 19.5

CLIENTS & ACCOUNTS

	FP50 RANK 2018	COMPANY	TOTAL ACCOUNT ASSETS $000	% CHANGE	ASSET BREAKOUT <$50K / $50K–$99K / $100K–$249K / >$250K	ACTIVE ACCOUNTS TOTAL	% CHANGE	% QUALIFIED ACCTS.
1	1	LPL Financial	615,135,100	20.7		4,773,156	2.6	n/a
2	3	Raymond James Financial Services	298,581,836	22.9		1,618,413	5.6	53.8
3	5	MML Investors Services	224,800,000	207.5		2,101,071	156.6	53
4	4	Commonwealth Financial Network	137,188,000	19.9		955,650	4.4	57
5	8	AXA Advisors	136,600,420	14		3,910,004	(0.6)	n/a
6	6	Northwestern Mutual Investment Services	112,964,000	25		112,964	25.0	n/a
7	11	Cetera Advisor Networks	90,354,186	23.3		976,447	n/a	n/a
8	10	Securities America	86,850,000	31.6		1,159,000	11.5	63
9	14	Kestra Financial	75,838,884	0.3		n/a	n/a	n/a
10	12	Royal Alliance Associates	66,590,311	14.8		n/a	n/a	n/a
11	16	Signator Investors	53,337,069	11		n/a	n/a	n/a
12	15	Voya Financial Advisors	50,806,921	11.8		1,518,038	6.6	n/a
13	13	Waddell & Reed Financial Advisors	46,732,722	(9.7)		401,395	(5.9)	64
14	19	HD Vest Financial Services	44,102,336	14.1		n/a	n/a	n/a
15	18	Cetera Advisors	41,178,677	10.6		446,343	n/a	n/a
16	25	FSC Securities	38,799,194	17		n/a	n/a	n/a
17	23	Woodbury Financial Services	38,561,710	39.9		n/a	n/a	n/a
18	24	Cetera Financial Institutions	37,731,636	12.8		559,729	n/a	n/a
19	30	M Holdings Securities	36,500,000	7.2		64,870	4.4	n/a
20	21	Lincoln Investment Planning	35,915,600	39.8		n/a	n/a	n/a
21	20	Securian Financial Services	35,500,000	14.9		627,148	0.7	n/a
22	26	First Allied Securities	31,696,838	11.7		289,894	n/a	n/a
23	9	Lincoln Financial Network	28,582,000	17.8		n/a	n/a	n/a
24	28	Triad Advisors	26,154,368	1.5		n/a	n/a	n/a
25	34	Cetera Financial Specialists	22,486,366	(32.8)		291,801	n/a	n/a
26	29	CUNA Brokerage Services	21,795,734	19.8		410,449	8.6	67
27	36	Ameritas Investment	21,514,578	17.8		61,859	5.8	n/a
28	35	Independent Financial Group	18,727,244	13.1		n/a	n/a	n/a
29	31	Summit Brokerage Services	17,682,267	0.4		167,923	n/a	n/a
30	43	J.W. Cole Financial	17,377,011	33		612,540	16.7	53
31	38	H. Beck	15,346,718	6.8		38,696	7.8	n/a
32	40	United Planners Financial Services	14,874,609	15.2		237,016	60.4	n/a
33	46	Investacorp	14,847,666	10.8		n/a	n/a	n/a
34	41	Questar Capital	13,273,695	13.8		668,485	n/a	n/a
35	53	Crown Capital Securities	12,349,746	9.2		n/a	n/a	n/a
36	39	Geneos Wealth Management	12,000,000	9.1		101,400	13.8	53
37	22	Principal Securities	11,700,000	22.7		106,500	4.7	67.5
38	48	Kovack Securities	10,615,000	28.4		87,350	7.0	40
39	49	O.N. Equity Sales	10,193,197	14.1		212,876	22.8	59
40	47	PlanMember Securities	10,000,000	7.5		200,000	8.6	n/a
41	32	Cadaret Grant	8,697,532	11.1		51,349	0.7	57
42	50	Prospera Financial Services	7,056,448	8.8		57,771	40.7	40
43	51	Investment Center	6,300,000	3.3		n/a	n/a	n/a
44	52	Strategic Financial Alliance	2,000,000	n/a		11,000	n/a	50
45	7	Cambridge Investment Research	n/a	n/a		n/a	n/a	n/a
46	17	SagePoint Financial	n/a	n/a		n/a	n/a	n/a
47	27	American Portfolios Financial Services	n/a	n/a		n/a	n/a	60
48	37	Securities Service Network	n/a	n/a		n/a	n/a	n/a
49	42	KMS Financial Services	n/a	n/a		n/a	n/a	n/a
50	45	Transamerica Financial Advisors	n/a	n/a		n/a	n/a	n/a



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Based on risk-adjusted performance for the periods ending 11/30/2017, Thrivent Mid Cap Stock S was named the best mid-cap core fund of 290 funds for the 5-year period and the best mid-cap core fund of 196 for the 10-year period. Award for U.S. Region Only.

Fund award methodology: The highest Lipper Leader for Consistent Return (Effective Return) value within each eligible classification determines the fund classification winner over three, five, or 10 years. Sales charges are not taken into consideration. Class S shares for this Fund have no sales charges.

Mid Cap Risks: The Fund primarily invests in securities of mid-sized companies, which often have greater price volatility, lower trading volume, and less liquidity than larger, more established companies. The value of the Fund is influenced by factors impacting the overall market, certain asset classes, certain investment styles, and specific issuers. The Fund may incur losses due to investments that do not perform as anticipated by the investment adviser.

The principal underwriter for Thrivent Mutual Funds is Thrivent Distributors, LLC, a registered broker/dealer and member of FINRA. Thrivent Asset Management, LLC, an SEC-registered investment adviser, serves as the investment adviser for Thrivent Mutual Funds. Both entities are wholly-owned subsidiaries of Thrivent Financial for Lutherans and have principal places of business at 625 Fourth Ave S., Minneapolis, MN 55415.

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COMMISSION PRODUCT REVENUE

	FP50 RANK 2018	COMPANY	COMMISSION REV. $000	COMMISSION REV. % CHANGE	MUTUAL FUND REV. $000	MUTUAL FUND REV. % CHANGE	SECURITIES REV. $000	SECURITIES REV. % CHANGE	STOCK REV. $000	BOND REV. $000s	ETF REV. $000
1	1	LPL Financial	1,670,824	(3.8)	534,639	(0.7)	183,216	7.7	79,180	104,037	n/a
2	2	Ameriprise Financial	1,199,834	(9.9)	544,153	(21.7)	n/a	n/a	n/a	n/a	n/a
3	3	Raymond James Financial Services	671,486	3.6	337,298	1.7	102,292	12.2	74,923	27,369	n/a
4	5	MML Investors Services	669,472	179.0	189,590	130.4	6,001	144.5	5,222	779	n/a
5	8	AXA Advisors	557,030	3.8	63,346	6.5	6,220	(27.5)	3,762	2,458	n/a
6	9	Lincoln Financial Network	483,577	(5.6)	72,208	1.9	n/a	n/a	n/a	n/a	n/a
7	16	Signator Investors	291,121	10.0	70,172	18.8	n/a	n/a	n/a	n/a	n/a
8	11	Cetera Advisor Networks	274,097	(1.8)	120,845	(0.9)	n/a	n/a	n/a	n/a	n/a
9	15	Voya Financial Advisors	260,214	3.0	77,683	6.3	5,412	0.3	4,728	684	n/a
10	7	Cambridge Investment Research	259,820	7.8	77,229	6.2	14,897	0.3	7,490	3,297	4,111
11	10	Securities America	258,200	12.4	196,340	15.4	12,300	6.7	10,500	1,800	n/a
12	4	Commonwealth Financial Network	245,870	(11.1)	85,941	(21.0)	13,914	15.6	6,794	7,120	n/a
13	22	Principal Securities	233,808	4.4	19,422	4.0	3,119	31.0	2,704	108	308
14	6	Northwestern Mutual Investment Services	225,865	17.6	169,445	14.7	n/a	n/a	n/a	n/a	n/a
15	12	Royal Alliance Associates	196,363	5.7	n/a	n/a	n/a	n/a	n/a	n/a	n/a
16	14	Kestra Financial	187,624	3.9	51,635	16.2	6,376	9.9	2,289	2,494	1,594
17	24	Cetera Financial Institutions	186,832	0.7	49,390	3.4	n/a	n/a	n/a	n/a	n/a
18	20	Securian Financial Services	186,300	(1.2)	27,200	1.9	992	9.5	793	200	n/a
19	17	SagePoint Financial	180,234	6.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
20	23	Woodbury Financial Services	178,634	2.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a
21	13	Waddell & Reed Financial Advisors	172,443	(12.2)	115,404	(14.3)	4,415	16.6	3,184	257	975
22	18	Cetera Advisors	151,294	22.5	52,033	23.3	n/a	n/a	n/a	n/a	n/a
23	29	CUNA Brokerage Services	148,300	6.9	20,920	21.6	1,023	11.8	253	770	n/a
24	25	FSC Securities	136,798	0.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a
25	30	M Holdings Securities	136,309	5.9	5,749	(0.9)	406	(16.4)	382	25	n/a
26	21	Lincoln Investment Planning	121,296	10.9	52,796	(3.0)	630	(13.0)	530	100	n/a
27	26	First Allied Securities	119,643	(5.5)	33,108	2.0	n/a	n/a	n/a	n/a	n/a
28	33	Centaurus Financial	110,271	0.3	18,084	27.1	4,411	(42.4)	2,941	n/a	1,470
29	32	Cadaret Grant	109,393	4.6	52,530	4.0	8,417	3.6	3,928	3,909	580
30	27	American Portfolios Financial Services	98,949	7.9	29,885	0.4	10,230	30.3	7,292	1,332	1,606
31	31	Summit Brokerage Services	87,534	(3.5)	20,090	(2.7)	n/a	n/a	n/a	n/a	n/a
32	41	Questar Capital	85,413	5.0	15,778	29.5	2,846	(24.1)	2,082	764	n/a
33	36	Ameritas Investment	81,400	1.8	31,320	22.1	2,197	5.0	1,524	672	n/a
34	35	Independent Financial Group	77,317	9.0	16,336	4.4	4,476	(1.5)	2,743	1,409	325
35	38	H. Beck	75,913	4.1	30,168	7.9	4,927	2.2	2,670	2,257	n/a
36	45	Transamerica Financial Advisors	74,059	(18.3)	4,335	n/a	363	n/a	33	331	n/a
37	43	J.W. Cole Financial	73,220	9.2	22,107	21.7	1,655	12.9	677	516	462
38	19	HD Vest Financial Services	68,199	5.8	84,149	5.9	7,240	9.1	3,780	367	3,093
39	28	Triad Advisors	66,501	(6.2)	n/a	n/a	5,193	n/a	3,572	1,621	n/a
40	44	ProEquities	60,919	(6.0)	8,990	(0.0)	4,467	(22.9)	1,155	3,041	270
41	34	Cetera Financial Specialists	60,597	2.7	44,769	9.3	n/a	n/a	n/a	n/a	n/a
42	46	Investacorp	57,226	(0.3)	18,445	5.2	16,825	149.6	2,700	11,290	2,835
43	49	O.N. Equity Sales	51,499	6.9	16,393	13.4	1,309	(11.1)	1,103	206	n/a
44	37	Securities Service Network	48,291	(15.7)	20,224	(10.0)	2,097	(26.3)	1,910	64	123
45	40	United Planners Financial Services	48,178	(8.3)	11,276	(10.9)	1,025	(79.0)	256	769	n/a
46	42	KMS Financial Services	43,733	4.2	22,170	(4.6)	1,917	4.1	404	423	1,091
47	48	Kovack Securities	37,275	0.1	9,914	(6.9)	7,780	9.2	4,548	1,217	2,015
48	53	Crown Capital Securities	29,906	10.8	10,000	18.6	958	(15.9)	843	93	22
49	51	Investment Center	29,288	12.3	11,076	13.3	8,140	14.2	5,191	558	2,391
50	39	Geneos Wealth Management	25,721	(39.0)	2,753	34.2	2,973	7.6	799	2,174	n/a

ANNUITIES REV. $000	ANNUITIES REV. % CHANGE	VARIABLE ANNUITIES REV. $000	FIXED ANNUITIES REV. $000	INSURANCE REV. $000	INSURANCE REV. % CHANGE	L-T CARE REV. $000	LIFE & DISABILITY REV. $000	ALTERNATIVES REVENUE $000	ALTERNATIVES REVENUE % CHANGE	REITs REV. $000
853,963	(7.0)	712,673	141,290	71,352	(4.7)	1,330	70,022	27,112	(22.4)	n/a
425,804	2.9	n/a	n/a	118,618	4.0	n/a	n/a	n/a	n/a	n/a
201,948	2.0	166,565	35,382	13,623	4.8	n/a	n/a	n/a	n/a	n/a
415,829	215.5	415,404	425	42,986	177.2	244	27,239	4,145	97.3	n/a
373,021	0.5	373,021	n/a	106,228	12.3	n/a	106,228	4,799	10.5	2,575
170,139	(3.6)	152,466	17,673	208,029	(9.8)	n/a	n/a	n/a	n/a	n/a
130,224	15.1	130,224	n/a	80,449	(0.2)	12,110	68,338	n/a	n/a	626
116,417	(5.0)	n/a	n/a	23,107	22.4	n/a	n/a	n/a	n/a	n/a
150,298	5.6	137,444	12,853	22,732	(7.2)	76	22,656	n/a	n/a	2,923
141,004	11.2	106,712	1,406	9,043	21.3	n/a	5,396	8,181	(26.0)	n/a
42,400	3.4	38,600	3,800	4,800	(7.7)	n/a	4,800	n/a	n/a	1,630
114,469	(5.0)	110,382	4,087	18,893	9.9	2,856	16,038	5,979	(43.1)	6,180
84,043	13.3	55,703	n/a	17,346	(10.8)	n/a	17,346	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
95,469	0.7	91,632	3,837	29,802	(1.4)	n/a	29,802	1,629	(26.8)	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
66,300	6.3	46,300	3,000	84,200	(8.5)	1,300	82,800	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
41,483	(8.8)	30,871	10,612	11,008	(11.2)	1,938	9,071	n/a	n/a	n/a
73,533	22.4	n/a	n/a	9,345	41.3	n/a	n/a	n/a	n/a	n/a
89,186	11.3	59,800	29,270	10,200	16.4	200	10,000	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
16,034	11.8	11,093	n/a	114,839	8.1	n/a	113,356	304	(76.1)	n/a
64,700	27.3	58,560	2,040	2,230	(15.0)	1,680	120	n/a	n/a	480
59,658	(5.2)	n/a	n/a	3,184	(12.4)	n/a	n/a	n/a	n/a	n/a
61,752	7.6	41,168	20,584	4,411	16.7	735	3,438	n/a	n/a	15,732
44,913	4.0	43,649	541	3,404	33.8	62	2,371	n/a	n/a	129
42,818	13.8	40,223	695	800	(20.0)	1	799	140	(61.8)	1,337
35,830	(0.1)	n/a	n/a	4,070	20.6	n/a	n/a	n/a	n/a	n/a
64,178	4.5	32,606	31,572	613	24.4	n/a	613	1,430	(44.5)	689
40,700	(5.6)	36,600	n/a	1	(15.1)	n/a	n/a	1	(25.0)	n/a
34,417	18.5	30,203	1,660	1,539	30.7	74	1,465	7,599	(8.9)	12,923
38,577	8.5	34,807	n/a	1,296	(34.8)	n/a	1,296	n/a	n/a	n/a
15,920	n/a	15,920	n/a	32,237	n/a	n/a	n/a	n/a	n/a	n/a
37,501	5.3	17,945	19,556	7,996	1.0	n/a	7,996	1	26.2	3,567
28,587	7.2	19,679	8,907	4,507	1.1	n/a	4,507	4,115	(3.0)	n/a
12,152	n/a	9,179	2,973	2,296	n/a	n/a	n/a	4,816	n/a	n/a
9,209	(24.4)	7,974	1,076	4,109	61.6	n/a	n/a	758	(64.9)	n/a
10,476	(17.9)	n/a	n/a	3,709	10.7	n/a	n/a	n/a	n/a	n/a
24,012	4.7	22,808	1,204	5,871	(15.3)	n/a	5,871	n/a	n/a	2,039
31,273	6.9	27,897	3,376	n/a	n/a	n/a	n/a	304	(18.8)	n/a
24,899	(4.4)	22,519	127	205	28.4	n/a	n/a	456	13.5	398
26,651	(2.2)	24,601	2,050	2,050	(47.3)	n/a	2,050	513	(47.3)	1,538
18,471	999.6	16,580	1,892	46	(13.9)	9	37	25	(9.7)	n/a
17,010	84.6	14,063	2,947	26	(98.5)	26	n/a	n/a	n/a	632
13,289	8.0	12,777	371	500	(14.3)	n/a	371	2,964	23.3	2,028
8,609	2.1	8,422	188	980	32.8	n/a	n/a	14	(61.1)	n/a
8,913	(0.1)	8,913	n/a	n/a	n/a	n/a	n/a	438	(21.0)	n/a

FEE-BASED REVENUE

	FP50 RANK 2018	COMPANY	FEE REV. $000	FEE REV. % CHANGE	$000s FEE REV. FROM REPS	$000s FEE REV. FROM FIRM	$000s FEE REV. FROM OUTSIDE	FEE REV. AS %	FEE-BASED AUM $000	% REPS ON PLAT-FORM
1	2	Ameriprise Financial	2,332,589	16.7	n/a	n/a	n/a	0.55	n/a	100
2	1	LPL Financial	1,409,248	9.3	1,369,844	n/a	39,404	0.33	272,997,026	75
3	3	Raymond James Financial Services	1,041,912	21.9	668,370	334,452	10,597	0.50	148,133,755	95
4	4	Commonwealth Financial Network	798,295	23.9	693,944	69,157	35,194	0.64	80,562,000	96
5	6	Northwestern Mutual Investment Services	628,450	26.1	n/a	n/a	n/a	0.66	69,565,218	n/a
6	7	Cambridge Investment Research	459,797	18.4	300,572	47,484	95,639	0.57	50,763,000	89
7	5	MML Investors Services	367,113	250.9	77,159	n/a	267,342	0.35	42,600,000	77
8	10	Securities America	312,100	25.6	200,500	n/a	109,200	0.49	38,100,000	82
9	11	Cetera Advisor Networks	247,512	9.7	n/a	n/a	n/a	0.41	25,473,953	43
10	14	Kestra Financial	245,563	24.2	147,685	9,893	68,850	0.52	23,617,546	72
11	13	Waddell & Reed Financial Advisors	235,135	4.7	42,448	189,040	1,808	0.49	23,329,634	97
12	12	Royal Alliance Associates	205,213	(11.4)	n/a	n/a	n/a	0.42	27,151,521	64
13	8	AXA Advisors	194,385	22.3	n/a	n/a	191,926	0.25	23,748,620	n/a
14	9	Lincoln Financial Network	191,969	9.5	n/a	n/a	n/a	0.26	n/a	n/a
15	21	Lincoln Investment Planning	177,969	53.8	57,750	99,592	20,627	0.57	16,123,700	94
16	18	Cetera Advisors	152,684	22.0	n/a	n/a	n/a	0.43	14,762,636	47
17	15	Voya Financial Advisors	147,299	18.7	125,730	n/a	21,569	0.34	14,903,330	67
18	19	HD Vest Financial Services	145,694	12.6	109,792	31,673	4,002	0.42	12,530,246	31
19	20	Securian Financial Services	120,500	19.5	72,800	6,400	31,000	0.35	14,900,000	75
20	16	Signator Investors	110,048	36.1	n/a	n/a	n/a	0.26	10,016,937	58
21	17	SagePoint Financial	109,181	6.2	n/a	n/a	n/a	0.31	13,530,424	57
22	25	FSC Securities	92,132	(15.5)	n/a	n/a	n/a	0.33	13,210,104	66
23	28	Triad Advisors	92,069	4.6	24,499	n/a	67,570	0.50	16,477,252	98
24	27	American Portfolios Financial Services	91,197	27.2	60,162	1,752	19,498	0.48	11,153,961	92
25	39	Geneos Wealth Management	82,139	41.1	12,135	31,077	12,553	0.73	5,576,501	100
26	26	First Allied Securities	75,288	11.5	n/a	n/a	n/a	0.33	10,553,597	n/a
27	34	Cetera Financial Specialists	70,332	17.7	n/a	n/a	n/a	0.49	7,829,674	77
28	22	Principal Securities	65,756	18.7	39,778	20,054	5,393	0.22	6,862,467	69
29	40	United Planners Financial Services	62,769	40.2	39,825	n/a	22,944	0.57	6,693,547	97
30	23	Woodbury Financial Services	62,393	16.3	n/a	n/a	n/a	0.22	8,665,519	64
31	47	PlanMember Securities Corporation	59,728	22.5	1,863	53,422	4,443	0.70	5,491,000	100
32	37	Securities Service Network	57,767	23.7	n/a	n/a	n/a	0.49	n/a	n/a
33	42	KMS Financial Services	55,268	15.2	43,771	n/a	7,159	0.51	6,792,000	n/a
34	35	Independent Financial Group	51,061	21.7	16,989	12,347	19,838	0.37	5,647,222	n/a
35	31	Summit Brokerage Services	51,013	44.2	n/a	n/a	n/a	0.32	4,555,102	n/a
36	32	Cadaret Grant	44,131	7.1	33,909	280	9,942	0.28	4,324,581	71
37	36	Ameritas Investment	40,700	10.9	21,200	n/a	15,700	0.30	4,995,741	59
38	33	Centaurus Financial	36,757	6.3	13,968	n/a	19,481	0.25	2,926,088	76
39	24	Cetera Financial Institutions	35,282	36.1	n/a	n/a	n/a	0.12	3,599,529	35
40	48	Kovack Securities	32,508	15.4	20,391	n/a	11,217	0.44	4,182,500	88
41	38	H. Beck	31,643	15.1	11,679	n/a	19,461	0.28	3,114,000	33
42	43	J.W. Cole Financial	31,380	28.7	15,891	n/a	14,534	0.30	3,824,560	67
43	44	ProEquities	26,898	16.4	n/a	n/a	n/a	0.27	3,511,293	77
44	52	Strategic Financial Alliance	22,930	24.8	3,594	n/a	19,329	0.46	2,292,227	80
45	46	Investacorp	22,919	10.8	13,018	4,658	5,125	0.25	3,306,725	45
46	30	M Holdings Securities	22,857	42.4	n/a	n/a	n/a	0.14	2,840,000	n/a
47	50	Prospera Financial Services	20,924	12.0	20,924	n/a	n/a	0.41	1,995,571	100
48	51	Investment Center	17,603	12.6	17,603	10,562	7,041	0.35	2,300,000	n/a
49	41	Questar Capital	17,407	15.8	10,194	n/a	7,213	0.16	1,951,900	63
50	29	CUNA Brokerage Services	17,200	16.2	n/a	17,200	n/a	0.10	1,720,000	87

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CORPORATE STAFF

	FP50 RANK 2018	COMPANY	FULL-TIME STAFF	LICENSED PROFESSIONALS	REGISTERED OFFICES	OFFICE OF SUPERVISORY JUR.	RECRUITERS	COMPLIANCE
1	3	Raymond James Financial Services	8,895	n/a	n/a	1,583	17	n/a
2	1	LPL Financial	3,711	1,097	11,005	1,409	68	359
3	4	Commonwealth Financial Network	843	2,271	1,313	149	10	75
4	8	AXA Advisors	812	n/a	n/a	40	n/a	n/a
5	7	Cambridge Investment Research	754	296	2,149	376	18	46
6	10	Securities America	754	336	1,807	248	13	113
7	5	MML Investors Services	554	7,714	1,522	147	n/a	n/a
8	13	Waddell & Reed Financial Advisors	503	n/a	393	54	4	51
9	21	Lincoln Investment Planning	450	1,487	391	54	5	46
10	11	Cetera Advisor Networks	363	n/a	n/a	n/a	n/a	n/a
11	24	Cetera Financial Institutions	326	n/a	n/a	n/a	n/a	n/a
12	22	Principal Securities	295	n/a	663	81	8	54
13	15	Voya Financial Advisors	261	n/a	1,247	128	5	19
14	14	Kestra Financial	248	126	652	1	n/a	35
15	16	Signator Investors	237	142	845	61	4	40
16	18	Cetera Advisors	201	n/a	n/a	n/a	n/a	n/a
17	20	Securian Financial Services	191	1,134	204	41	n/a	31
18	26	First Allied Securities	154	n/a	n/a	n/a	n/a	n/a
19	47	PlanMember Securities	154	59	302	23	3	8
20	36	Ameritas Investment	124	352	460	41	n/a	9
21	31	Summit Brokerage Services	117	n/a	n/a	n/a	n/a	n/a
22	29	CUNA Brokerage Services	109	549	829	1	4	19
23	44	ProEquities	108	1,082	554	n/a	3	n/a
24	32	Cadaret Grant	108	41	474	134	1	15
25	34	Cetera Financial Specialists	106	n/a	n/a	n/a	n/a	n/a
26	27	American Portfolios Financial Services	92	837	371	74	2	15
27	41	Questar Capital	91	n/a	507	n/a	8	15
28	28	Triad Advisors	85	810	n/a	62	4	n/a
29	33	Centaurus Financial	85	633	385	241	4	18
30	38	H. Beck	77	n/a	415	33	1	n/a
31	35	Independent Financial Group	77	42	375	69	2	23
32	46	Investacorp	75	565	364	1	2	10
33	48	Kovack Securities	75	66	415	22	1	18
34	42	KMS Financial Services	70	43	290	1	1	30
35	43	J.W. Cole Financial	65	480	342	235	2	7
36	37	Securities Service Network	62	27	262	38	3	13
37	40	United Planners Financial Services	60	537	314	74	5	8
38	30	M Holdings Securities	57	830	n/a	n/a	n/a	n/a
39	39	Geneos Wealth Management	55	310	315	47	2	10
40	50	Prospera Financial Services	53	187	86	3	3	9
41	49	O.N. Equity Sales	48	837	401	18	1	13
42	51	Investment Center	40	274	n/a	4	1	6
43	52	Strategic Financial Alliance	39	178	64	14	1	6
44	53	Crown Capital Securities	28	13	192	92	3	8
45	9	Lincoln Financial Network	n/a	n/a	n/a	n/a	n/a	n/a
46	19	HD Vest Financial Services	n/a	n/a	n/a	n/a	n/a	n/a
47	17	SagePoint Financial	n/a	n/a	n/a	n/a	n/a	n/a
48	12	Royal Alliance Associates	n/a	n/a	n/a	n/a	n/a	n/a
49	25	FSC Securities	n/a	n/a	n/a	n/a	n/a	n/a
50	23	Woodbury Financial Services	n/a	n/a	n/a	n/a	n/a	n/a

SERVICES & FEES

COMPANY	AFFILIATION FEES $	ERRORS & OM. INSURANCE	STANDARD REP DEDUCTIBLE $	MAX. INDIVIDUAL COVERAGE	TICKET CHARGE $	B-SHARE LIMIT $	B-D EQUITY	FORGIV. LOANS	TRUST SVCS.
American Portfolios Financial Services	2,400	Third Party	10,000	1M/2M	Varies	NO	YES	YES	NO
Ameriprise Financial	0	0	0	0	0		YES		YES
Ameritas Investment	0-3,000	Third Party	5,000	2,500,000	30	YES	NO	NO	YES
AXA Advisors	0	0	0	0	0-26.50		NO	YES	
Cadaret Grant	450	Third Party	5,000	2,000,000	15.65+	YES	NO	YES	YES
Cambridge Investment Research	0	Third Party	7,500	3,000,000	0	YES	YES	YES	YES
Centaurus Financial	0 (Registration and E&O only)	Third Party	5,000	1,500,000	0	YES	NO	YES	YES
Cetera Advisor Networks	1,200	Third Party	10,000	4M/20M	0	YES	NO	YES	YES
Cetera Advisors	1,500	Third Party	10,000	4M/20M	0	YES	NO	YES	YES
Cetera Financial Institutions	360 - 2850	Third Party	10,000	4M/20M	0	YES	NO	YES	YES
Cetera Financial Specialists	3,675	Third Party	10,000	4M/20M	0	YES	NO	YES	YES
Commonwealth Financial Network	0	Third Party	10,000	2,000,000	0-19.95	YES	NO	YES	YES
CUNA Brokerage Services	0	Self	500	1,980	0	YES	NO	NO	YES
First Allied Securities	4,200	Third Party	4,000,000	0	0	YES	NO	YES	YES
FSC Securities	0	Third Party	0	0	0				
Geneos Wealth Management	0	Third Party	10,000	1,000,000	12	YES	NO	YES	NO
H. Beck	5,520	Third Party	0	0	0	YES	NO	YES	NO
HD Vest Financial Services	0	Third Party	0	500,000	0				
Independent Financial Group	1,920	Third Party	10,000	2,000,000	25	YES	NO	NO	NO
Investacorp	5,400	Third Party	5,000	5,000,000	18	NO	NO	YES	YES
J.W. Cole Financial	400	Third Party	10,000	2,000,000	19.95	NO	NO	YES	YES
Kestra Financial	VARIES	Third Party	25,000	2,000,000	0	YES	NO	YES	YES
KMS Financial Services	0	Third Party	5,000	5,000,000	0	YES	NO	YES	YES
Kovack Securities	0	Third Party	10,000	2,000,000	19.50	NO	NO	YES	YES
Lincoln Financial Network	0	0	0	0	0				
Lincoln Investment Planning	Varies	Third Party	5,000	4,000,000	0	YES	YES	NO	NO
LPL Financial	1,200/2,100	Third Party	10,000	2M/60M	0-50	YES	YES	YES	YES
M Holdings Securities	varies	Third Party	0	0	0	YES	YES	NO	YES
MML Investors Services	none	Third Party	1,000	2,000,000	varies	YES	NO	NO	YES
Northwestern Mutual Investment Services	0	0	0	0	0	NO	NO	YES	YES
O.N. Equity Sales	600	Third Party	500	5,000,000	0	YES	NO	NO	YES
PlanMember Securities	800	Third Party	5,000	1,000,000	0	YES	NO	YES	NO
Principal Securities	0	Third Party	500	5,000,000	0-30	YES	NO	NO	YES
ProEquities	2,600	Third Party	2,500	3,000,000	0	YES	NO	YES	NO
Prospera Financial Services	1,800	Third Party	50,000	3,000,000	19.95	NO	NO	YES	YES
Questar Capital	varies by production level	Third Party	0	3,000,000	0	NO	NO	YES	NO
Raymond James Financial Services	4,200 incl E&O	Third Party	5,000	2,000,000	0	YES	NO	NO	YES
Royal Alliance Associates	0	Third Party	0	0	0				
SagePoint Financial	0	Third Party	0	0	0				
Securian Financial Services	0	Third Party	5,000	4,000,000	0	YES	NO	NO	YES
Securities America	5,460	Third Party	5,000	5,000,000	0 to 35	YES	NO	YES	YES
Securities Service Network	0	Third Party	10,000	25,000,000	0	YES		YES	YES
Signator Investors	2,400	Third Party	0	0	0	YES	NO	YES	YES
Summit Brokerage Services	1,500	Third Party	10,000	4,000,000	0	YES	NO	YES	YES
Transamerica Financial Advisors	Varies	Third Party	0	0	0	NO	NO	NO	NO
Triad Advisors	0	Third Party	0	0	0	YES	NO	YES	YES
United Planners Financial Services	3,400	Third Party	5,000	6,000,000	4.99	YES	YES	YES	NO
Voya Financial Advisors	2,460	Third Party	10,000	30,000,000	45	NO	NO	YES	NO
Waddell & Reed Financial Advisors	6,600	Self	5,000	250,000	2.00	NO	NO	YES	YES
Woodbury Financial Services	0	Third Party	0	0	0				

YES NO

First Up –
The Challengers

Catherine Flax
Chief Executive Officer
PEFIN

Shin Inoue
Founder and CEO
FORUSALL

Deborah Owens
Chief Executive Officer
WEALTHYU

Aaron Spradlin
Co-Founder and CEO
CLEVERDOME, INC.

Kai Stinchcombe
Founder and CEO
TRUE LINK FINANCIAL

James Waldinger
Chief Executive Officer
ARTIVEST

Max G. Winthrop
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The Inside Saga of LPL Financial's Largest Termination Ever

In sealed transcripts, ex-CEO Mark Casady discloses what led to the firing that resulted in an unsuccessful $30 million claim against the firm.

By Tobias Salinger

In 2014, LPL Financial CEO Mark Casady learned that his friend, the broker James E. "Jeb" Bashaw, was being investigated by the firm over two separate million-dollar loans by a client, as well as other irregularities. Casady said he was heartbroken at the time, but also felt "taken advantage of and conned."

Casady, who's since retired, made the comments in a FINRA arbitration hearing in August 2017.

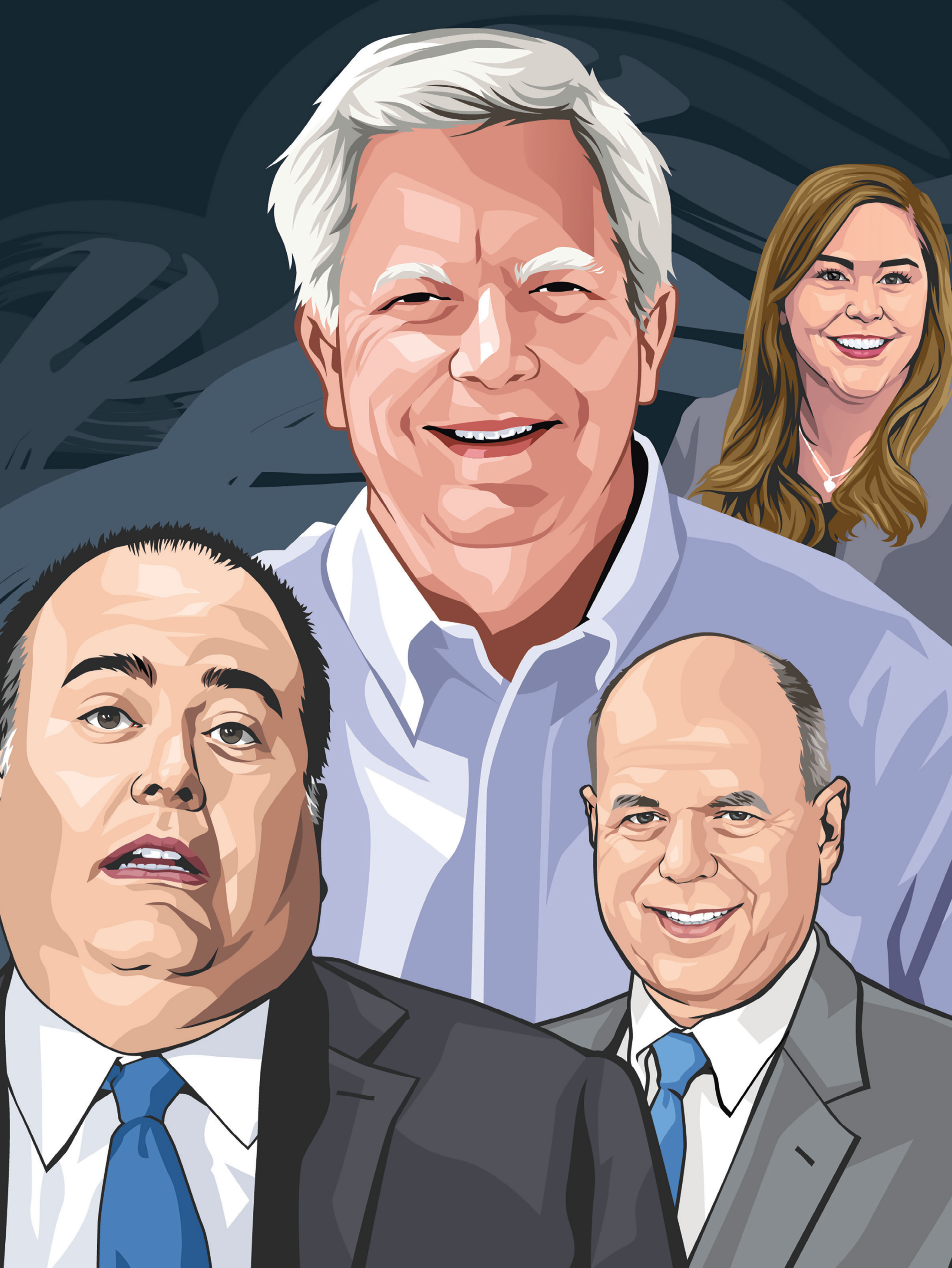
The sealed transcripts obtained by *Financial Planning* reveal for the first time the details of how the nation's largest independent broker-dealer turned on one of its own, moved swiftly to oust him, then had the dismissal upheld in arbitration.

"I thought it was an awful situation no matter how you look" at it, Casady said, describing Houston-based Bashaw as the largest producer ever investigated and terminated by LPL. The firm and Bashaw's practice had expanded rapidly together for 13 years.

The Casady-Bashaw relationship went beyond business. The men went whale watching off Cape Cod and enjoyed talking about books, including one on Abraham Lincoln that Bashaw was reading at the time.

Casady and his wife, Julia, had donated money for research into Huntington's disease, an incurable genetic brain disorder that left Bashaw's wife, Kim, unable to perform daily tasks at the time of his September 2014 firing. She

Clockwise, from top, Jeb Bashaw, Mason Clelland, Robert Moore, Mark Casady and Kimberly Pratt Bashaw.



died about six months later.

Within a month of vacationing at Casady's Cape Cod home, Bashaw was told on a phone call with a member of LPL's compliance and supervision staff that he had been terminated. The case presents a cautionary tale for advisors on how a loan from a client can tear apart a multimillion-dollar business.

Bashaw, 55, later named Casady in his arbitration claim, in which he sought damages of $30 million. After the panel rejected his claims last fall, in a 2-1 decision, Bashaw filed for Chapter 11 bankruptcy protection.

Bashaw's lawyers filed unedited transcripts as exhibits in their opposition to LPL's court filing seeking confirmation of the arbitration decision. Last November, LPL's legal team sought successfully in Houston federal court to seal the arbitration transcripts, asserting they revealed confidential partnership information; heavily redacted transcripts were subsequently made public.

Financial Planning obtained the transcripts before they were sealed, they reveal often hostile and dramatic exchanges. Since none of the parties involved will discuss them, they present the case's only available details.

'Something Bigger Involved'

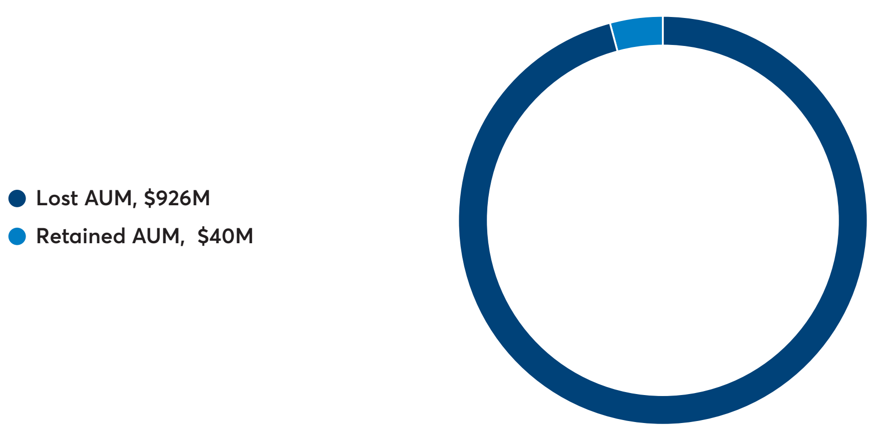
Casady attended all 13 days of hearings in Houston, according to the transcripts. That, in itself, seemed unusual. Most executives bolt FINRA arbitration sessions as quickly as possible, says Thomas Lewis, an attorney with Stevens & Lee who represents brokers and firms in arbitration but was not involved in this case.

"To sit through days of proceedings for something like this, it seems to me that there was probably something bigger involved," Lewis says. "I have to think there's more to it than intellectual curiosity if you're going to sit there for several days."

Was Casady determined to listen to every word Bashaw spoke, to observe his every gesture and study his body language? Was he monitoring every challenge to his firm's integrity? None of the parties involved will say.

A Terminated Broker's Vanished Network

Jeb Bashaw retained only 4% of his firm's assets under management after his dismissal in September 2014.



Source: Claimant's expert testimony in FINRA arbitration hearing, Aug. 22, 2017

In signs of how seriously LPL took the internal investigation that led to Bashaw's dismissal, executives accessed the bank account records of one Bashaw client using financial institutions' authority to do so under the Patriot Act. They later set up what they called a "command center" in a hotel room.

Ultimately, LPL dismissed Bashaw over two $1 million loans a client made to Bashaw's planning practice, as well as conduct its investigators deemed improper private securities transactions. In response, Bashaw's lawyer accused LPL of offering him up to regulators and the news media to escape blame for failing to properly supervise Bashaw and others, and for its record of compliance troubles.

LPL, like many companies, had "growing pains," Lewis says. But Bashaw should have known the loans would pose problems, he adds. "This is a pretty basic issue of borrowing from a client, which financial advisors know they're not supposed to do."

An LPL spokesman, Jeff Mochal, declined to make available for interviews any executives who testified at the hearing. "LPL is pleased with the decision of the independent arbitrators and happy to have this matter resolved," Mochal said.

Casady wrote in an email to *Financial Planning* that he was "pleased that LPL Financial and I have been vindicated as a result of this process." He declined to elaborate. Bashaw, reached via email at his Houston practice, JebCo (James E. Bashaw & Co.), declined to comment on the case. However, his attorney in the arbitration claim, David Cosgrove of the Cosgrove Law Group, discussed it with *Financial Planning* in further correspondence.

In his closing argument at the

hearing, Cosgrove said, "You can give $16 million just for defamation, just for the public humiliation and the fact that they blew Jeb Bashaw back 30 years into his career." Cosgrove displayed family photos of Bashaw, Kim and their 28-year-old daughter, Mason Clelland, during his closing statement, accusing LPL of not caring about Bashaw's family and clients.

Top Executives Involved in Case

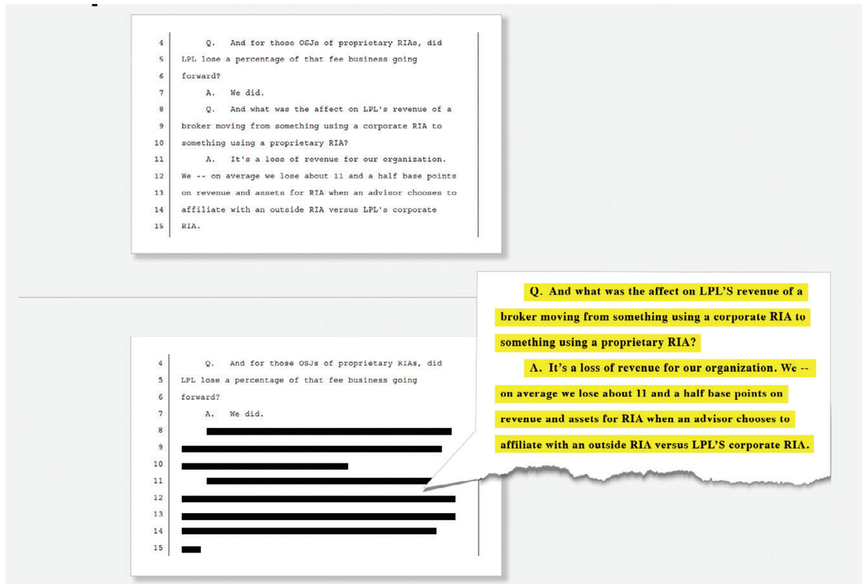
The litigation involved LPL executives, including the onetime executive vice president (and former FINRA executive director of enforcement) Jim Shorris, and Spencer Lewis, vice president of its special investigations unit.

Bashaw's lawyer also obtained a subpoena for Robert Moore, LPL's president at the time and now CEO of Cetera Financial Group, but did not serve him because there was not enough time allotted in the hearings to call Moore, Cosgrove says — even though Moore's name frequently came up as a home-office main point of contact for Bashaw.

In a September 2014 email to Shorris about the firm's U5 filing on the termination, Moore called Bashaw's exit "sad to see." Representatives for Moore at Cetera declined a request for comment, citing a company policy against discussing legal matters involving outside firms or individuals.

LPL's largest 25 producers, Bashaw among them, enjoyed close relationships with the CEO; top producers go on annual trips to luxury locales including Hawaii and Monaco.

Casady traveled to Houston in 2011 for a party celebrating Bashaw's 10 years with the firm, and LPL endowed a scholarship to Cristo Rey Jesuit, a high school in Houston. Bashaw is very involved with the Catholic Church in the city. (Casady is the son of an Episcopal minister, and he and his wife have a foundation that supports education.)


Q. And for those OSJs of proprietary RIAs, did LPL lose a percentage of that fee business going forward?
A. We did.
Q. And what was the affect on LPL's revenue of a broker moving from something using a corporate RIA to something using a proprietary RIA?
A. It's a loss of revenue for our organization. We -- on average we lose about 11 and a half base points on revenue and assets for RIA when an advisor chooses to affiliate with an outside RIA versus LPL's corporate RIA.

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A. We did.
[redacted]

(Illustration)

Unedited transcripts were filed by Bashaw's lawyers in opposing LPL's filing seeking confirmation of the arbitration decision, but they were later heavily redacted at LPL's request.

Yet Bashaw and Casady differ in their recollections of the vacation weekend on Cape Cod. Casady remembered conversations about their mutual "man crush" on the country singer Tim McGraw, as well as the engagement of Bashaw's daughter. Cosgrove, Bashaw's lawyer, suggested the two men talked about LPL's problems with FINRA. Under questioning from Cosgrove, Casady said that, as head of a publicly traded company, he would not disclose such regulatory matters to Bashaw.

LPL said neither Casady nor Moore participated in the investigation of Bashaw, or in the decision to fire him. Rather, the decision came from the compliance team, not any of LPL's business divisions. Casady gave way to LPL's current CEO, Dan Arnold, in January 2017.

Compliance in Context

LPL has paid out $116 million in legal, regulatory and other compliance costs since 2013, a substantial amount for an IBD but less than such spending by wirehouse firms. While a sustained objection by LPL's legal team prevented Bashaw and his lawyers from discussing past cases, they did cite an investigation by Texas securities regulators into LPL's supervision of a broker, who was not publicly identified.

The Texas State Securities Board fined LPL $95,000 in February 2016, alleging that it had failed to properly investigate a tip that one of its advisors had taken a loan from a client. The regulators required LPL to make major changes in its supervisory procedures.

According to the regulator's consent order, an LPL investigator examining the tip failed to detect a $1 million loan from a client or another loan from the same client a year and half later. LPL's investigators also hadn't noticed that the surname of a Bashaw client was part of the name of the entity responsible for a deposit of $1 million in the unnamed broker's account, the regulators said. The company fired the broker on Sept. 24, 2014 — the same date as Bashaw's termination.

Spencer Lewis, now vice president of

LPL's investigation unit, testified that the case had been about Bashaw and that Bashaw's brother-in-law Scott Pratt was the person who tipped off LPL in 2011. A Texas State Securities Board spokesman declined comment.

Pratt, a former advisor at Bashaw's practice, reported that Bashaw had borrowed from a Pratt family trust, according to Lewis. He noted that loans from family members are allowed under FINRA and LPL rules. (Like his sister, Pratt suffered from Huntington's disease; he died later in 2011, according to Bashaw.)

"We were constantly battered by news reports, emails, clients calling," broker Jeb Bashaw said. "And we were under siege."

Lewis, who was part of the review prompted by the tip, said he did not believe Bashaw had been fully honest in discussing the $1 million loan. He acknowledged, however, that Bashaw had listed the Blackwell Enterprises Private Equity Fund as a source of finance for the firm's expansion. The late Houston businessman L.D. Blackwell provided the loans that led to Bashaw's firing.

Asked by an LPL lawyer if Lewis wished he had discovered the first loan by Blackwell during the 2011 probe, he answered, "Oh, absolutely."

LPL formed its special investigations unit, which reviews serious misconduct by advisors, employees and vendors, around the time of Bashaw's termination, according to Lewis. The firm hired as head of the unit a former FBI special agent and federal prosecutor named Scott Nussbum, in September 2014; Lewis reports to him.

Nussbum's team has undertaken more than 160 internal investigations, leading to more than 40 terminations for "fraud, theft and regulatory/policy violations," according to his LinkedIn profile. Casady acknowledged in his testimony that LPL had found ample issues with its compliance.

"LPL, during the time from 2012 through, you know, probably 2016, did an entire review of all of our systems for compliance, including email," Casady said. The firm "replaced every single system" and doubled or tripled its compliance staff, he said, "all part of reviewing our risk management practices and rebuilding them."

The Firing of Bashaw

The investigation resulting in Bashaw's termination began after a second whistleblower, another LPL advisor, alerted the firm to the two Blackwell loans in August 2014, LPL executives said in their testimony. The firm accused Bashaw of undisclosed private securities transactions, the client loans and a business deal that posed a potential conflict of interest, according to FINRA BrokerCheck.

Blackwell's estate won a $1.9 million settlement the day after Bashaw's bankruptcy filing, his full CRD regulatory disclosure file shows. After the two promissory notes fell into default, LPL paid the settlement and Bashaw still owes the estate more than $525,000, according to a May 4 filing by Bashaw's lawyers in his bankruptcy case. Blackwell's estate had filed a claim for $2.4 million in the bankruptcy, including the loss of principal, interest and attorney fees.

Blackwell's daughter Karen, a trustee and administrator of the estate, declined to comment. Bashaw listed her as his largest creditor in his bankruptcy, with a debt of $500,000 from a judgment amid total liabilities of $1 million to $10 million.

The other transactions at issue included investments by Blackwell in a members-only airline company, Texas Air Shuttle; an equity swap between JebCo and an asset manager, Ascendant Advisors; and purchases of shares in the energy investment fund Navitas Fund by another Bashaw client.

Bashaw's lawyer argued LPL should have known about the transactions from its oversight of his email and other means, including the 2011 review after the tip. Bashaw testified that Blackwell's two loans provided capital to his firm rather than to him personally.

He also said that he quickly scrapped the Ascendant deal and received no compensation for the other ones. Pressed by LPL's lawyers on the lack of private securities transactions disclosed in his annual compliance questionnaires, Bashaw said he had not viewed his involvement with the transactions as formal participation.

He testified, for example, that he had simply introduced Blackwell to Texas Air Shuttle owner Ken Haney and told the client that Navitas appeared to be a good investment. LPL's lawyers countered that even transactions bringing Bashaw no profit should have been disclosed.

Haney declined a request for an interview; Navitas manager John Lovoi and representatives for Ascendant did not respond to requests for comment.

In his May 2016 arbitration filing against LPL, Bashaw alleged defamation, negligent misrepresentation and "an audit of Bashaw in furtherance of its plan to raid JebCo's employees, steal Bashaw's clients and destroy his career."

Bashaw set his final request for damages at $16 million to $24 million.

The arbitrators' rejected Bashaw's claims in a 2-1 decision. One of the two arbitrators who ruled against him dissented on the panel's decision to grant Bashaw a $25,000 payment from LPL over its failure to produce documents in the case.

The sizable but unsuccessful request

for damages spoke to how much JebCo's business expanded under LPL. Bashaw had received a buyout offer of $14 million for the firm in 2007, when it had about eight to 10 advisors with around $300 million in assets under management, he testified.

Between 2007 and 2014, JebCo's production nearly tripled to $9 million, with more than 30 advisors across several offices, he said. He retained only 4% of its $966 million in AUM, roughly $40 million, after the termination, an accountant hired by the claimant said.

Bashaw's daughter, Mason, and her then-fiancé, now husband, Lane Clelland, resigned from LPL, and the firm fired Bashaw's assistant, Laura Thompson, and his compliance delegate, Tony Cilia. JebCo, also known as James E. Bashaw & Co. and Jeb & Co., remains in business as an affiliated office of International Assets Advisory, with Mason Clelland one of its two other advisors.

In testimony during the arbitration, Clelland broke down as she testified that her father has "never been the same" since the termination and the April 2015 death of her mother.

The timing for the Bashaws was indeed dreadful. As Bashaw dealt with inquiries from the news media as well as FINRA and the Texas State Securities Board, he testified, his wife's condition reached its final stages. "We were constantly battered by news reports, emails, clients calling, friends calling, the press calling. And we were under siege," Bashaw said.

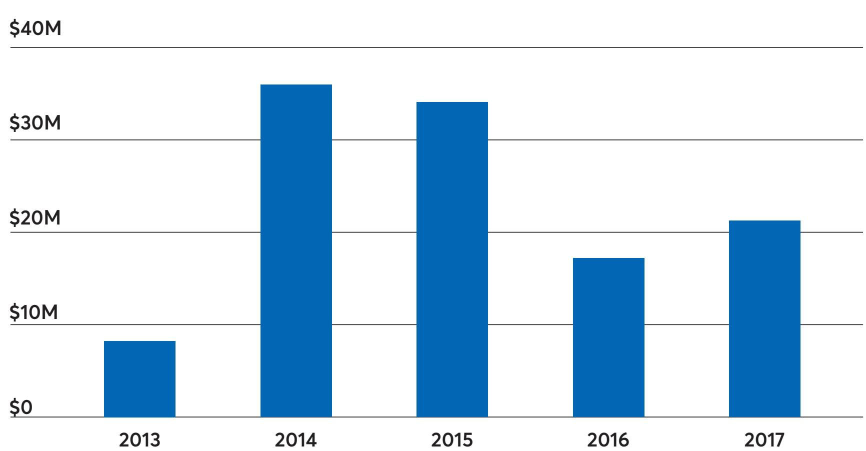
State regulators suspended his license for six months, and two FINRA lawyers and an investigator questioned him for 11 hours in March 2015 at the regulator's Boston office, Bashaw testified, noting that the regulators have not handed down any major punishments against him.

A FINRA spokeswoman, Michelle Ong, said she could not discuss Bashaw's case. However, she noted that the regulator's Central Review Group, a unit of its Office of Fraud Detection and Market Intelligence, reviews regulatory filings for potential misconduct, including U5 filings on terminations for cause.

Bashaw submitted a formal response to LPL's U5 filing, contesting "the accuracy, validity and motive for the purported reasons for termination," FINRA BrokerCheck shows.

LPL's Significant Regulatory Charges

Compliance expenses since 2013 have totaled $116 million.



Source: Company data

The investigation by LPL compliance executives included obtaining Blackwell's account information from Bank of America, according to the testimony by Lewis, Shorris and others. Section 314(b) of the Patriot Act allows firms to share such information if there is a suspicion of terrorism or money laundering. Yet Shorris answered "no" when asked by Bashaw's lawyer whether there was a suggestion that Bashaw or Blackwell was involved in criminal activity.

LPL and BofA declined to answer questions or provide further details about this request and compliance with it; their hands may be tied by federal confidentiality requirements.

Email Reviews and Bank Records

Shorris said reviews of Bashaw's emails about the loans and other transactions had provided LPL with most of the evidence. The investigative team wanted Blackwell's bank records because they wanted to find out whether he had invested in Texas Air Shuttle, he said.

The law covers a very long list of suspected illegal conduct within anti-money-laundering statutes, says Peter Hardy, the leader of the Ballard Spahr law firm's AML team. Regulators also hold accountable firms that do not report suspicious activity, he notes.

"It's not surprising to me that there was 314(b) sharing, because it's pretty broad," says Hardy, who emphasized that he isn't familiar with the facts of Bashaw's case. "There's obviously always going to be a tension between the individual's interests and the systemic interest behind combating money laundering. That's one reason this is supposed to be confidential."

A spokesman for the Financial Crimes Enforcement Network, the division of the Treasury Department that institutions must notify if they share information under 314(b), said the

agency cannot comment on individual cases. A spokesman for Bank of America said it was unable to find anyone at the company familiar with the case and that it doesn't comment on client matters.

The Command Center

When LPL's investigation ramped up in late September 2014, Shorris, Lewis, Nussbum and Bill Morrissey, LPL's managing director for business development, along with other staff members, set up a command center in a Houston hotel room, Lewis testified.

While Bashaw was out of town on a recruiting trip, on Sept. 24, Robert Prestininzi, LPL's vice president of investigations, led a surprise visit to JebCo's offices, according to testimony by Thompson, Bashaw's assistant. Prestininzi questioned her for more than two hours, she said.

By her account, one member of his team played the good cop, telling her she was doing a good job and that she would be OK. The bad cop, Prestininzi, accused Bashaw of elder abuse in his handling of Blackwell and told her Casady and Moore had given her boss preferential treatment, Thompson said.

"He was cruel. He was rude. It was one of the most uncomfortable situations I've been in in my entire life," she said. "That man was awful."

Prestininzi's group included a deputy from the Harris County Sheriff's Office working off-duty as a private security guard whom Prestininzi identified to her as an auditor in training, Thompson testified. The deputy, John Klafka, testified that he had his loaded service weapon on his hip.

"I don't remember her being upset," Klafka said of the interview with Thompson, describing it as a roughly an hour long in which "everything was cordial." Prestininzi testified that the conversation had been "professional" in tone even though Thompson had appeared nervous.

Jeb Bashaw's daughter, Mason Clelland, testified that her father has "never been the same" since the termination and the April 2015 death of her mother.

Bashaw's daughter said Thompson was "shaken" by the interview.

Bashaw learned through calls to him by Thompson and other staff members about the surprise visit to JebCo and immediately booked a flight to Houston from Jackson, Mississippi. Shorris reached him by phone shortly after he arrived at George Bush Intercontinental Airport in Houston, Bashaw testified.

Shorris and Thomas Estridge, a supervisory specialist, informed Bashaw of the firm's investigation for the first time, according to Bashaw. They fired him in the course of a five-minute conversation, according to Estridge's testimony. Shorris later said he no longer felt comfortable with Bashaw being registered with LPL.

Shorris had recommended Bashaw's ouster to the executive leading the investigation, Ken Fasone, based on the type of conduct and its repetitive nature, he testified.

"As part of LPL's annual advisor training and certification process, advisors — including branch managers, [office of supervisory jurisdiction] managers like Mr. Bashaw — are asked a series of questions about compliance with the firm's rules and FINRA rules as well," Shorris said. "He was asked questions that should have elicited — based on the information we found here — 'yes' answers. And he did not give those answers. So the information was incorrect."

No Further Recourse?

Bashaw's fight with LPL moved to federal court after the arbitration panel's decision. In a motion to vacate the FINRA decision, Bashaw's lawyers noted that LPL had been sanctioned over discovery in the case and alleged false testimony by a "key fact witness," as well as misconduct and evident partiality by the arbitrators.

In late November, however, he filed to dismiss the motion, and U.S. District Judge Sim Lake confirmed the arbitration decision without any opposition from Bashaw on March 1. "We withdrew the motion because of the legal fees associated and the slim margin of success," Bashaw's lawyer in the proceeding, Ted Tredennick of Daniels & Tredennick, wrote in an email.

Bashaw's bankruptcy case remains pending, with hearings scheduled on his plan of reorganization.

In his closing statement in the arbitration, Cosgrove accused LPL of not caring about Bashaw's family and clients, and failing to detect and notify Bashaw of possible violations of its policies.

"That's what supervision — that's how it's supposed to work," Cosgrove said. "You're not supposed to take money for something you're not doing, then go back later and play the gotcha game." **FP**

***Tobias Salinger** is an associate editor of* Financial Planning. *Follow him on Twitter at @TobySalFP.*


How do you maintain mental and emotional stability? A support system with different tiers of expertise can be crucial.

BLOOMBERG

When You Need Support

The stresses of the job practically demand that advisors should have people to confide in when the going gets rough.

By Michael Kitces

Are you receiving fewer prospect inquiries than you were in the past? Is your lead flow trending downward? Are you getting leads and inquiries, but they're not closing?

As in baseball, random slumps happen in our business. But when instability comes knocking — as it inevitably does — what do you do to maintain your mental and emotional stability?

If you are like most planners, your first line of emotional support tends to come from the same people who help us through all of life's ups and downs: our spouse, family members and close friends.

Yet these people, however dear, may not know much about the advisory business, and may not be able to provide the kind of advice that can truly improve an advisor's situation. That's why it's critical to have other layers of support.

Here are sound strategies for building support networks and for nurturing them even when times are good.

Why Support Systems?

After the financial crisis, a study found that 93% of advisors were exhibiting symptoms of post-traumatic stress disorder. The symptoms apparently grew out of providing so much emotional support to clients; we were performing a critical role in a trying time.

After the financial crisis, a study found that 93% of advisors were exhibiting symptoms of post-traumatic stress disorder.

However, the mechanisms for managing and calming our own emotional stress are not always so clear. That's why I've become a big proponent of a multi-tier support system — and why I see value at each level.

First Tier

We're social animals who rely on our relationships. For many of us, our spouses are our deepest confidants and greatest sources of support. For others, it's a group of close friends or maybe one particular friend who you seek out.

These are the people who fulfill what I'd call first-tier level of support. They're not hard to find, and they're supportive when we need to talk through a challenge.

But since these people may not know much about our business, the best you may get is an outside perspective that you might not have considered.

That's not to devalue such a relationship; it can be refreshing to hear, "You need to get over yourself," or, "You need to stop freaking out," every once and a while. Alternatively, it's heartening to also get an empathic ear: "That's pretty rough. You want to talk about it?"

Second Tier

But when friends and family lack working knowledge of our profession, sometimes the best people to go to for support are our peers who have similar experiences. Having friends in the advisory business who are familiar with the challenges we commonly face can be invaluable.

This second-tier level of support is equipped to help us judge whether something is really a big deal. If you're in a large RIA or wirehouse, co-workers may have the insider's perspective and trained ear that can truly benefit your situation. Even within independent broker-dealers in a branch with many advisors, there may be colleagues with whom you can connect and talk to when you're struggling.

For more isolated advisors, though — those who have started their independent practices under a broker-dealer without being in a big branch or those who start as an independent RIA — this can be very tough. And if you're just starting out, you might be working alone from home, where second-tier support may seem entirely absent.

This is actually one of the reasons that I've become a strong advocate for advisor networks and associations.

The bonds that I created with a study group early in my career have only strengthened in the intervening 12 years. We keep a private mailing list, and there are still 11 of us meeting in person twice a year.

Groups like Garrett Planning Network, Alliance of Comprehensive Planners and the XY Planning Network, where I was one of the founders, thrive in part because we represent a community of advisors — almost all of whom are solos who otherwise might not connect with one another.

Membership associations like the Financial Planning Association or NAPFA are similar. The latter group not only has a national community with forums, but also facilitates local meet-ups in many larger metropolitan areas. And the FPA has almost 90 chapters across the country, which draw out dozens or even hundreds of advisors at a time for scheduled events.

Younger advisors even have sub-communities under FPA and NAPFA — FPA NexGen and NAPFA Genesis — to help support them with their own specific set of challenges.

A deep second-tier support system like this can benefit a young advisor for decades to come.

Third Tier

For most advisors however, just being in an office or in a member association doesn't supply the support needed when the tough times inevitably come. Seeing these folks in the hallway, at the water cooler, maybe occasionally at a chapter meeting every few months, or in an online forum can make the support value feel somewhat limited.

That's why I also advocate for study groups — also sometimes called mastermind groups — because your counterparts there can challenge you, hold you accountable for improving yourself and your business, and be a support system when you need a lift.

I've been involved in a study group since very early in my career, when most of us were in our late 20s and early 30s. We were almost all starting out as employee advisors at mid- to large-size independent firms, where support was thin on the ground outside our firms.

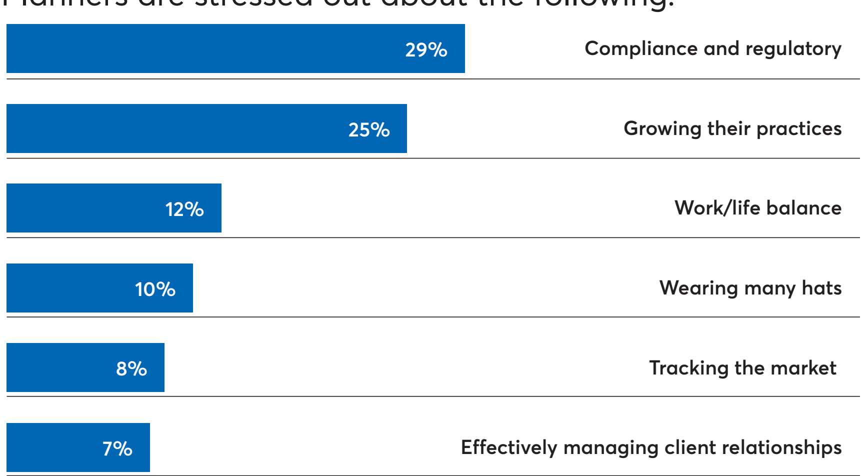
When the problem you're dealing with arises from the firm you work for, however, solving it could be tricky. Even in a good firm, everyone gets frustrated from time to time — whether with the firm itself or with a co-worker.

The bonds I created with my group have only strengthened in the intervening 12 years. We keep a private mailing list, and there are still 11 of us meeting in person twice a year.

The key distinction is that the

What's Keeping Advisors up at Night?

Planners are stressed out about the following:



Source: FlexShares

smaller and more committed the group, the deeper the mutual trust — and consequently, the quicker you can let your guard down.

If you're not comfortable making yourself vulnerable and actually talking about your problems, anxieties, struggles and pain, you'll never get the feedback and support that you need in order to improve.

But let's say you don't have a study group in your area. Make one.

The process isn't that complex. Find half a dozen advisors or so whom you want to know better, invite them into a group, start meeting regularly and start building those connections.

There are lots of different formats and approaches for structuring a study group. For example, some meet regularly in person, whereas others prefer monthly or even weekly video check-ins. There's no right way; the important thing is to find the way that feels right for you.

Fourth Tier

All that being said, not everyone likes to interact in a group setting. For some, the most comfortable way to connect is one to one, which to me feels synonymous with mentorship.

As an aside, for those who want to learn more about mentoring and forming such a relationship, I highly recommend picking up the book "The Heart of Mentoring" by David A. Stoddard. Apart from helping you identify, find and reach out to a mentor, the book does an amazing job telegraphing the wisdom and perspective that a mentor can provide.

A mentor may discern whether a problem is really a problem or whether it's just a slump you need to be patient with and work through.

Yet it can be difficult to find a mentor — and when you do, he or she may not be an especially good one. That's why some advisors find greater value in seeking out an executive coach, who actually has training and experience in that very role.

I should note here that I would never conflate executive coaches with consultants, and you shouldn't either. An executive coach doesn't tell you how to optimize this or that.

Rather, this person helps you better realize what you want for your business, and more broadly for your career. He or she also helps you be accountable to yourself and sometimes offers emotional support.

Granted, coaches aren't cheap, especially in the advisory industry, but a skilled coach can have a truly transformative impact on your practice and your emotional well-being.

For most of us, being an advisor is our livelihood. The prosperity of many of our employees depends on us. And we may be responsible for dozens or even hundreds of clients and their life savings. If we didn't feel occasional pangs of stress about these things, we wouldn't be human.

That's why we need to do a better job of building support — and getting the word out that asking for support is a sign of strength, not weakness.

Whether it's a spouse, family or friends; colleagues or peers in an advisor network or association; a study group that you join; a mentor that you find or an executive coach that you hire, keep them close. Not only are we doing a service for ourselves, we're doing a service for our entire profession. **FP**

Planners at Risk

Financial advisors report 25% more stress than the national norm, according to a recent survey,

"The heightened regulatory environment, paired with the need to grow their business, has left advisors feeling significantly more pressure than other U.S. professionals," said Darek Wojnar, the head of funds and managed accounts at Northern Trust Asset Management. Northern Trust's FlexShares ETF division conducted a survey of almost 700 advisors in December 2017.

Planners younger than 50 report more than 39% greater stress levels than the national norm. The results suggest that "financial advisory is a particularly challenging career path for the next generation," the study said. "Younger advisors also reported lower levels of overall life satisfaction. Life satisfaction is 12.4% higher among older advisors than among those under age 70."

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.*

ADOBE STOCK IMAGES

Taxing Advisory Fees

The itemized deduction for investment fees has been eliminated, but clients still need guidance on paying IRA expenses.

By Ed Slott

As clients start planning for their 2018 taxes, some will learn that investment advisory fees they have been deducting in the past will no longer be deductible. The miscellaneous itemized deduction for investment fees and expenses was eliminated by the recent tax law.

But this doesn't mean that owners of IRAs and other investors can't still receive a tax benefit for the fees they pay going forward. Advisors will be asked for new planning options. Here are suggestions about how to handle investment expenses most favorably.

It is perhaps notable that while regulators have generally tried to move investment firms toward charging fees instead of commissions, lawmakers have created a tax incentive for investors to prefer commissions instead of fees.

Fees Versus Commissions

Commissions are effectively still deductible. When they are charged to specific transactions, they provide the benefit of reducing the taxable gain (or of increasing the loss).

By contrast, wrap and AUM fees and fees for nontrading services aren't identifiable with individual transactions. They must be separately invoiced. Until 2017, they could be deducted as investment expenses, but no more. So they now provide no tax benefit.

As an example of the tax benefit of commissions, John buys shares for $95,000 and later sells them for $105,000, a $10,000 gain. He pays a 1% commission on the purchase and sale — $950 and $1,050 respectively — a total of $2,000. The $950 is added to the tax basis of the purchased shares, and the $1,050 is subtracted from the sale proceeds when determining gain. John's taxable gain on the shares is $8,000. He receives the equivalent of a deduction for the $2,000 of commissions.

Under the new tax law, Congress has created an incentive for investors to prefer commissions instead of fees.

Contrast this result with the case of Jane. She has $100,000 in an investment account in which she too has a $10,000 gain on a stock purchase and sale. She pays a 1.5% wrap fee of $1,500, plus another fee of $500 for investment advice, totaling $2,000. These fees aren't part of any particular trade so they are billed to Jane as investment expenses. In 2018, these are not deductible. So Jane's taxable gain is $10,000, and she gets no deduction for the $2,000 fee.

Even with the elimination of the tax benefit for the fees paid, clients can still obtain the equivalent of a tax deduction for some expenses. Owners of traditional IRAs are best able to do this.

Paying IRA Fees

The key is to pay IRA fees directly from the traditional IRA, effectively gaining a deduction since the investment fees will be paid from pretax funds. The IRS has held consistently that retirement accounts can pay their own investment expenses, both commissions and fees, with no adverse tax effect to owners.

As an example, Jack has an IRA with an annual fee of $2,000. He has the fee paid directly from his IRA. Jack does not have to include the $2,000 in income and owes no income tax on the $2,000 of pretax funds used to pay his account fee.

In the case of IRAs, the IRS also allows an IRA owner to pay its investment expenses from a separate taxable non-IRA account. Until 2017, owners could deduct such payments on their personal tax returns. But again, starting in 2018, they cannot.

When an IRA pays its own investment expenses with pretax funds, its owner obtains the equivalent of a tax deduction for the payment.

An IRA can also pay fees to an outside investment advisor, apart from the custodian, with the same tax result.

The IRS held this in Letter Ruling 8951010. There, the owner of an IRA engaged an outside advisory firm to provide market-timing instructions for investments in his IRA. Payment for the advice went directly from the IRA trustee to the advisory firm. The IRS ruled that this was a proper expense of the IRA trust that could be paid with no adverse tax consequence to the owner of the IRA.

But while IRA fees can be paid from non-IRA taxable accounts, there is no longer a tax benefit to do so because of the loss of the tax deduction.

For some clients, this is less of a blow than they might think. It is worth recalling that the itemized deduction was subject to the 2% adjusted gross income limit. For many high income clients, the deduction was lost anyway because of the 2% threshold.

In addition, even if those clients were able to gain the deduction because their fees and other deductions exceeded the 2% limit, the deduction may still have been lost if they were subject to the alternative minimum tax.

Owners of traditional IRAs should usually pay the fees using funds within the account, although there are cases when they might want to use outside funds.

For some clients, however, there could be a benefit to paying the IRA fees from non-IRA funds even though there is no longer a deduction. For example, if the owner intends to keep funds in the IRA for many years or to leave a "stretch" IRA to a beneficiary, it might be better to pay the fees from non-IRA funds to avoid reducing the long-term growth potential of the IRA.

In addition, when the owner of an IRA is in a low tax bracket or has had a loss year, a deduction equivalent has little or no value. Then, the owner may do best by paying IRA fees from outside the IRA and leaving as much as possible in the IRA to earn tax-favored investment returns.

Roths Are Different

Roth IRAs are entirely different in this regard. Roth IRAs are funded with after-tax dollars, so it is never best to have a Roth IRA pay its own investment expenses. Doing so gives no equivalent deduction.

There is no tax benefit to pay these fees from the Roth IRA. Doing that only reduces the amount in the Roth IRA that can earn tax-free investment returns. Always pay a Roth IRA's expenses from outside the account.

Fees for IRAs can be paid from non-IRA accounts. But what about paying fees owed for other accounts from an IRA? The answer to this is unequivocal: don't do it.

An IRA must never pay any expenses but its own. If an IRA pays expenses for a non-IRA account, at best the payment will be a taxable distribution and at worst may be deemed a "prohibited transaction." That may result in the IRA being terminated and its full balance being distributed and subject to tax.

Neither a traditional nor Roth IRA should ever be used to pay the expenses of any other account.

IRA custodian agreements can pose a trap for the unwary here. Some investment firms have standard customer agreements that let the firm take an amount owed to one account from any of the customer's other accounts. This is dangerous.

If, say, an amount owed on a margin call is taken from a money market fund, that's fine. But taking it from an IRA may be disastrous.

Pledging IRA funds to secure a debt is a prohibited transaction. Yet so many custodial agreements contain terms providing for this that the IRS has issued "temporary relief" for IRA owners subject to them.

This relief says that the existence of such terms in a custodial agreement will not be a prohibited transaction — so long as they are not invoked.

When an IRA owner has multiple accounts with the IRA's custodian, read the custodial agreement to see if such terms are in it. If they are, take steps to assure the IRA won't be drawn upon for another account's benefit.

Having a traditional IRA pay its own investment expenses can save on taxes compared with having the IRA owner pay them from a non-IRA account. But whether the tax saving is worth reducing the tax-favored IRA balance depends on the specific facts.

The expenses of a Roth IRA always should be paid from an account outside the IRA. Neither traditional nor Roth IRAs should ever be used to pay the expenses of any other account. **FP**

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Undermining Prenups

Under the new law, a client will no longer get a tax deduction for alimony payments.

By David Friedman

If all goes well, prenuptial agreements are filed away deep in a drawer, never to be talked about again.

In light of the new tax law, however, these contracts need to be dusted off and reviewed. Certain provisions may no longer achieve what was intended, and, in fact, the terms may now disadvantage the very party who had sought protection in the first place.

After 2018, a prenuptial agreement may disadvantage the very party who sought the protection to begin with.

Advisors should contact clients who have prenuptial agreements to determine how they may be impacted by the recent tax bill. If a client's prenuptial agreement is affected, schedule a meeting with a lawyer to quantify the impact.

The most controversial change pertains to the deductibility of alimony payments. Historically, the spouse who paid alimony got a deduction equal to the payment amount. The spouse who received the alimony reported the payments as taxable income.

This shift of income from the payer's higher tax bracket to the recipient's lower tax bracket meant more income was available to divide — a win for both parties. But the new tax law eliminated the payer spouse's ability to deduct alimony payments. Pre-existing alimony orders will not be impacted for any "divorce or separation instrument" effective on or before Dec. 31, 2018.

In Massachusetts, alimony generally should not exceed the recipient spouse's need or 30% to 35% of the difference in income between the spouses. For example, Alex earns $200,000 and Blake has no income. The parties divorce and agree upon an alimony order of 32.5% of the difference between the spouses' income, or $65,000 per year. By using the $65,000 in payments as a tax deduction, Alex's obligation actually costs $46,800 a year (assuming a tax rate of 28%).

After 2018, without the alimony deduction, a payment of $65,000 per year would actually cost Alex $65,000, or $18,200 more. Alex's attorney would argue the alimony needs to be adjusted to reflect the loss of the deduction, resulting in less money to Blake.

Most prenuptial agreements were prepared with an assumption that alimony would always be tax deductible. Given the loss of the deductibility of alimony, the payer spouse (often the spouse who had sought the prenuptial agreement for protection) may now be bound to unfavorable terms. This presents a sizable problem as prenuptial agreements are enforceable contracts between the parties and binding and conclusive as to the rights of the parties upon divorce.

In other words, barring compelling reasons to invalidate the agreement, the payer spouse may be stuck with an unfriendly alimony obligation.

Ultimately, it must be determined whether modifying the existing agreement is necessary or whether an agreement entered into after marriage may be worthwhile. Either option will require the potentially reluctant participation of the recipient spouse.

But by failing to act before Dec. 31, 2018, the client could be doomed by the very instrument that was put in place for financial protection. **FP**

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8 Funds for New Clients

The Elite Eight can provide immediate diversification with a very low expense ratio.

By Craig L. Israelsen

How do advisors help people who want a simple suggestion about a mutual fund? Perhaps it's someone who approaches you after a seminar at which you spoke, or maybe a client who wants to recommend a fund to a beginning-investor child or grandchild. Or it could be a younger new client of your own.

Whoever they may be, they are looking to you for guidance. And, while they may not be a client now, your advice may help secure them later.

I've winnowed the universe of funds down to what I'm calling the Elite Eight. All meet several conditions: They are no-load funds with at least a 20-year performance history as of the end of last year, and an expense ratio under 1%.

The primary filter is that they have an initial purchase requirement of $1,000 or less. And all are diversified, with a Morningstar-determined objective of balanced, asset allocation or multi-asset global. I did not include target-date funds because most do not have a 20-year record, and I believe they fit into another class of funds.

Among the funds shown in the "Elite Eight" chart, several have been highlighted based on various criteria. Schwab MarketTrack Growth (SWHGX) had the highest historical return of 10.57% over the five-year period from Jan. 1, 2013, to Dec. 31, 2017.

State Farm Balanced (STFBX) has the lowest expense ratio, at 0.13%. The next-lowest is Vanguard STAR (VGSTX) at 0.32%. Vanguard STAR was, in fact, the star of total assets, with over $21 billion (as of March 2018).

In the category of 10- and 20-year returns, the winner among these funds is Oakmark Equity and Income Investor (OAKBX), with a 10-year average annualized return of 6.87% and a 20-year return of 9.35%. Clearly, past performance does not guarantee future results. However, a 20-year track record is hard to ignore.

The fund with the best performance in 2008 (a year many of us would rather forget) was Permanent Portfolio Permanent I (PRPFX), with an impressive return of -8.36%. To put that into perspective, the S&P 500 lost 37% in 2008, and the MSCI EAFE Index was down 43.38%.

For those who wish to invest in

Elite Eight

Mutual Fund Name	Objective	Symbol	Initial Purchase	Assets ($M) As of Mar. 1, 2018	Expense Ratio	5-Year Return (2013-2017)	10-Year Return (2008-2017)	20-Year Return (1998-2017)	2008 Return
Schwab Balanced	Balanced	SWOBX	100	404	0.56	9.59	6.13	6.35	-22
Schwab MarketTrack Growth	Asset Allocation	SWHGX	100	852	0.52	10.57	6.02	6.16	-31.3
Schwab MarketTrack Balanced	Asset Allocation	SWBGX	100	561	0.5	8.28	5.22	5.68	-25.04
State Farm Balanced	Balanced	STFBX	250	1,921	0.13	8.68	5.59	5.79	-16.18
Oakmark Equity and Income Investor	Balanced	OAKBX	1,000	13,322	0.78	9.99	6.87	9.35	-16.18
Vanguard STAR Investor	Balanced	VGSTX	1,000	21,750	0.32	9.75	6.67	7.23	-25.1
Permanent Portfolio Permanent I	Multi-Asset Global	PRPFX	1,000	2,557	0.82	2.22	4.73	7.01	-8.36
Pax Balanced Individual Investor	Balanced	PAXWX	1,000	1,493	0.93	8.39	4.4	6.21	-30.72

Source: Steele Mutual Fund Expert

accordance with certain social and environmental mandates, Pax Balanced Individual Investor (PAXWX) is highlighted as an SRI fund.

One of the interesting aspects of investing (as shown in the "Growth of Annual Investments" chart) is that the account value outcome when making annual investments does not always synchronize with published returns. Published returns assume a single lump-sum investment at the start of the performance period. If investors are making annual investments, that will differ from the standard industry assumption behind the calculation of a multiyear average annualized return.

We observe this phenomenon in the chart. Notice that the 20-year average annualized return (based on a lump sum investment) for Schwab Balanced is higher than Schwab MarketTrack Growth by 19 bps (6.35% versus 6.16%). However, when money is invested at the start of each year over the same 20-year period, the ending account value is higher in Schwab MarketTrack Growth by more than $1,300.

Another example is Pax Balanced versus Schwab MarketTrack Growth. PAXWX has a slightly higher 20-year lump-sum return than SWHGX (6.21% vs. 6.16%), yet PAXWX has an ending balance that is $4,636 lower than SWHGX if investing $1,000 each year.

This all has to do with the sequence of returns — that is, the pattern of returns over the multiyear period. The ending outcome in a portfolio that's being added to each year is significantly affected by the sequence of returns.

When investing systematically over time, experiencing larger returns in the latter years is ideal, because those higher returns are affecting a larger account value. In this case, the sequence of returns happened to advantage Schwab MarketTrack Growth, because it has had a stronger performance lately (10.57% return over the most recent five years versus 8.39% for PAXWX over the same time period).

The key takeaway from this discussion is that those who annually invested $1,000 into any of these Elite Eight funds from 1998 through 2017 nearly doubled their investment and came close to tripling their investment in the best-performing fund.

Growth of Annual Investments

Mutual Fund Name	Mutual Fund Symbol	20-Year Av. Annualized Return (assuming lump sum deposit on Jan. 1, 1998)	Growth of $1,000 annual investment from 1998-2017 (investment at the start of each year)	Internal Rate of Return (IRR) of $1,000 Annual Investments
Schwab Balanced	SWOBX	6.35	41,671	7.15
Schwab MarketTrack Growth	SWHGX	6.16	43,014	7.44
Schwab MarketTrack Balanced	SWBGX	5.68	38,997	6.54
State Farm Balanced	STFBX	5.79	40,280	6.84
Oakmark Equity and Income Investor	OAKBX	9.35	53,735	9.44
Vanguard STAR Investor	VGSTX	7.23	46,594	8.16
Permanent Portfolio Permanent I	PRPFX	7.01	42,538	7.34
Pax Balanced Individual Investor	PAXWX	6.21	38,378	6.39

Source: Steele Mutual Fund Expert

Consistent Investing

A bit of advice you can offer prospects and clients: They can help themselves if they consistently invest, regardless of how the markets are performing. Want proof? Look at the 20-year internal rate of return in the final column of "Growth of Annual Investments" — it's higher than the 20-year lump sum average annualized return in every case. The value of consistent investments is picked up in the IRR calculation. And these funds are not only easy to start, they are easy to continue investing in.

Encourage clients to consistently invest in their fund each year — with a little extra in the down years, even if this is difficult on a psychological level. If they follow these steps, they will have mastered a behavior that many never do. This elite behavior will add more value to their ending outcome. **FP**

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JUNE 2018

CE Quiz

VISIT FPCEQUIZ.COM TO TAKE FINANCIAL PLANNING'S CE QUIZ.

From: Taxing Advisory Fees

1. Which of the below was established by IRS Letter Ruling 8951010?
1. The miscellaneous itemized deduction for investment fees and expenses will remain in 2018.
2. The itemized deduction for investment fees and expenses is subject to the 2% adjusted gross income limit.
3. An IRA owner can pay fees to an outside investment advisor directly from their IRA with no adverse tax effects.
4. An IRA owner can pledge IRA funds to secure a debt.

From: How 'Lump and Clump' Can Offer Clients Material Savings (online only)

2. What is the cap on home equity indebtedness interest a client can deduct, if the loan is used for personal expenses?
1. $10,000
2. $50,000
3. $100,000
4. $0

3. If a single client has state income taxes of $4,000 per year, property taxes of $2,500 and mortgage interest of $6,750 a year, how much may they be able to deduct above the standard deduction when filing 2018 taxes?
1. $2,000
2. $1,250
3. $0
4. $3,000

From: Top-Performing 2020 Target-Date Funds (online only)

4. Of the top-performing 2020 target-date funds over the past five years, per Morningstar, which has the lowest expense ratio, at 0.10%?
1. TIAA-CREF Lifecycle Index 2020 (TLWIX)
2. American Century One Choice 2020 I (ARBSX)
3. Fidelity Freedom Index 2020 Investor (FPIFX)
4. Vanguard Target Retirement 2020 Inv (VTWNX)

5. Which of these funds had the highest five-year return, at 8.01%?
1. Schwab Target 2020 (SWCRX)
2. JHancock Multimanager 2020 Lifetime 1 (JLDOX)
3. MainStay Retirement 2020 I (MYRTX)
4. T. Rowe Price Retirement 2020 (TRRBX)

6. Which had the lowest five-year return, at 5.72%?
1. BlackRock LifePath 2020 Inst (STLCX)
2. Nationwide Destination 2020 R6 (NWFIX)
3. JPMorgan SmartRetirement Blend 2020 R6 (JSYRX)
4. Fidelity Advisor Freedom 2020 I (FDIFX)

From: How Structured Annuities Are Bucking a Downward Trend (online only)

7. From 2016 to 2017,what was the total percentage change in sales for structured annuities?
1. -5%
2. -8%
3. 26%
4. 10%

From: Must-Follow Procedures When Transferring Variable Annuities (online only)

8. Which rule states that financial firms must "educate their prospective representatives in understanding that a change of employment is not by itself a suitable basis for recommending a switch from one product to another"?
1. FINRA Regulatory Notice 11-54
2. FINRA Regulatory Notice 18-08
3. FINRA Regulatory Notice 07-36
4. FINRA Regulatory Notice 07-59

From: 8 Funds for New Clients

9. Among the eight funds featured, how many experienced a higher annualized rate of return for a lump-sum investment than for consistent annual investments?
1. Two
2. Four
3. Three
4. Zero

10. Which of these funds best weathered the stock market downturn of 2008, when measuring returns?
1. Permanent Portfolio Permanent I (PRPFX)
2. State Farm Balanced (STFBX)
3. Pax Balanced Individual Investor (SRI) (PAXWX)
4. Schwab Balanced (SWOBX)

Financial Planning offers its Continuing Education Quiz exclusively online at FPCEQuiz.com.

To earn one hour of continuing education credit from the CFP Board of Standards, please visit our website and answer the questions above. Planners must answer eight out of 10 questions correctly to pass. Credit will count under CFP Board subject A: financial planning process/general principles. The deadline for participation is June 30, 2019.

In addition, the Investments & Wealth Institute, formerly the Investment Management Consultants Association, has accepted this quiz for CIMA, CIMC and CPWA CE credit. Advisors must answer eight out of 10 questions correctly to pass. The deadline is June 30, 2019.

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Financial Planning

Time for a Reality Check

Are hourly and stand-alone planning misguided? This advisor says they often leave clients mishandling their investments.

By Lorraine Ell

Over the years, I've collected many cautionary tales from my clients about their experiences with other advisors — true horror stories from real people. One client, a nurse brought in a 6-inch-high stack of confirms, from her former broker, and told me, "I don't understand a thing that guy says." It turned out the broker was overtrading her account.

Another woman had an advisor who told her to put half her assets into a variable annuity — a totally inappropriate investment for her with high fees and little benefit.

There were so many stories I was able to fill a book with them. "Bozos, Monsters and Whiz-Bangs: Bad Advice from Financial Advisors and How to Avoid It" is a warning to investors to be very careful about the advisor they choose.

It's also a reality check for advisors. If you see yourself in the anecdotes, it may be time for a change. There are plenty of opportunities to do well as advisors while doing what is right for others.

A big problem for advisors and investors alike is the rise of hourly and stand-alone planning. This approach is touted as an alternative to comprehensive planning and asset management, but it's misguided.

Planning without oversight and control of investment positioning and management is an abandonment of an advisor's fiduciary duty.

I have done fee-only planning in the past to later discover that clients handled their investments poorly because they did not understand what to do.

Hourly planning without ongoing, regular assistance, along with asset management, creates a nickel-and-dime relationship with clients.

For clients to get help solving problems, they must pay another fee. They often hesitate to pay and that can lead to poor financial decisions.

Stand-alone planning also limits the advisor's ability to increase what they earn. It's a transactional business — not unlike charging commissions to buy and sell securities.

But it's difficult to persuade clients to change from a fee-for-plan approach to a more inclusive offering. That's why my firm offers only a comprehensive wealth management oversight program.

It goes beyond stand-alone planning and asset management to include much of what retirees and pre-retirees need.

Fragmented Help

Unfortunately, the industry is moving away from this holistic approach to a do-it-yourself method — even as the world becomes increasingly complex. From robo investing to fee-for-planning only, financial help is becoming more fragmented.

Perhaps it's the availability of financial information at clients' fingertips that creates the illusion of competence. But online advice and media gurus do not understand an individual's circumstances and the advice is often inappropriate.

Only an experienced advisor who works to understand clients' values, situations and goals can truly guide those investors in managing their financial lives. **FP**

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