Wealth Management™

2021 Midyear Outlook

Wealth Management™

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A Mid-Year Review

As we seem to finally reach the other side of our global health crises, we're starting to see what a post-pandemic world will look like.

It's clear our "new normal" will be different: More potent variants, confusing rules around vaccination status and masks, hybrid work environments, a different feel to live events, seemingly endless economic stimulus, potential inflation, an overheating stock market—we will be dealing with the fallout for a long time to come. Some things may never go back to the way they were before.

Confusion brings opportunity for financial advisors who can help clients through it. Hopefully, the articles in this semi-annual review can help.

As always, we understand that financial advisors are drowning in "content." There is no shortage of intellectual capital, articles, opinions and "hot takes" coming towards you. So why is this twice-a-year compendium worth your time?

By compiling vetted articles from industry contributors across the asset management, advisory and fintech spaces, we hopefully provide a single place where, by virtue of serendipity, you can most easily find an article or two, or even a single idea, that might be useful to you and your clients.

Consider this collection an opportunity to quickly review viewpoints or ideas you may not have come across before. Not everything will be valuable to everyone—not by a long shot.

But having them all in one place, ideally, is a convenient way to skim through a wide range of views—some sophisticated market takes alongside more generally applicable practice management advice and observations.

We've vetted the writers and articles—no sales pitches or corporate brochures. Beyond that, the usefulness of the content herein is for you to decide. Take what you need, leave the rest behind.

Here's hoping you're approaching the post-pandemic era in good health and with optimism.

David Armstrong
Editor-In-Chief

Economic Expansion Reliant on Inflationary Expectations

By Matt Lloyd
ADVISORS ASSET MANAGEMENT

As we embark into the second half of 2021, many transitions and trends set forth from the end of 2020 still resonate with relevance while consequential counterintuitive shifts are gaining credence. The inflation component, while simple in concept, has a sequential layering that is playing out systematically. Asset and input inflation have already ensued, leading to the question of whether wage inflation and consumer pass through ultimately take hold. While anecdotal and economic metrics point to higher wage inflation, it has yet to grasp the baton but appears to have it well in hand. The significant difference between temporary and permanent layoffs during the last recession is distinct compared to traditional recessions. Employees were furloughed and took government assistance with the understanding the shutdown length was unknown, but not believed to be as long as it took. We are seeing significant offers to employees to work whether it be state governments or businesses.

The two most important components of the inflationary pass through are the ability for consumers to absorb the higher costs and what the Federal Reserve's and other central banks' responses will be. While we don't have second quarter earning results, we can get a glimpse of the ability for pass through. As noted by Goldman Sachs, gross margins for both investment grade and high yield both moved higher in the first quarter where first quarter Consumer Price Inflation ran year-over-year at 2.60%. In the two months since, it has jumped to 5.00% which is amplified by the 12-month look back in the throws of the recession. While the ending first quarter inflation metric may seem tame compared to the current state, note that it has only been above that level five times in the last nine years. The ability to pass through higher input costs and the onset of higher wages affirms our view that the consumer has not been in position to absorb higher costs since the late 1980s.

The recent Fed Flow of Funds revealed that the total measures of household and nonprofits are sitting on over $17 trillion of cash and cash equivalents. For the first time since 1989, this sum exceeded the total household debt even while the U.S. household mortgage debt service ration was near the all-time low at 3.97%. 13 years ago, it stood at the all-time high of 7.20%. This gap is meaningful because disposable income has an inherent buffer to absorb at least the initial stages of inflation.

The Federal Reserve is welcoming inflation for a multitude of reasons, not least of which is to remove the threat of deflation and hopefully the threat of negative interest rates. The Federal Reserve can use many other tools to temper these moves, however the benefit of an eroding dollar value with historic budget deficits and swollen debt levels solves a current situation while potentially causing others down the road.

In many cases this current environment has promoted a value-based focus in equities and increased international exposure. We currently favor Europe and the United Kingdom, with an eye on emerging market equities in a broader based sense. We continue to see debt being the playground where professional management with scrutiny on duration and affection towards mobility being the best course of action. ■

Matt Lloyd is the Chief Investment Strategist of Advisors Asset Management, a trusted asset management and analytics resource for financial advisors and broker/dealers.

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ADVISORS ASSET MANAGEMENT

Targeting Entrepreneurial Wealth: What Financial Advisors Need to Know

Wealth Management.com
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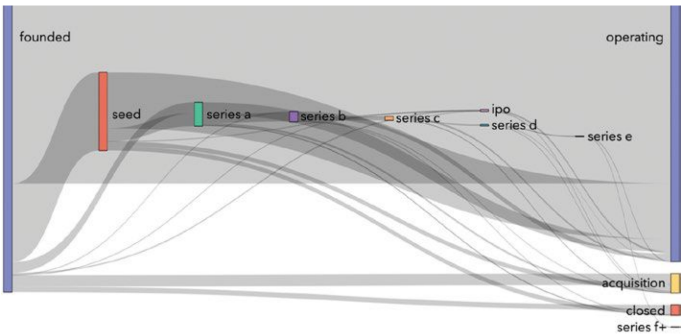
By Ned Dane
AIDENTIFIED



"Last week, I was notified that a big client got a $100M investment in his company. I proactively congratulated him and we're opening up more business," says Curtis Estes, Wealth Management Advisor at Northwestern Mutual. "We might not have found this out until the next annual review. This is such valuable intel."

This is the end goal, right? To understand which events yield financial opportunity, and to engage with your prospects and existing clients at exactly the right time. But what is the right time, and how can financial advisors leverage this information? In a recent poll by Aidentified, we found that 54% of respondents claim to not grasp the opportunities presented by entrepreneurial wealth. Even more, only 13% said they fully comprehend when to solicit business.

Let's take a step back. How do people acquire wealth? There are three, generally accepted, paths to wealth acquisition: **inheritance** or multi-generational wealth transfer, **corporate wealth** from equity compensation, and **entrepreneurial wealth** created inside private companies. While much has been done historically to educate financial advisors about identifying wealth generated from both inheritance and public companies, significantly less has been done to educate them about the entrepreneur's path to wealth creation.

We have been tracking wealth events, generated from Series fundings, IPOs, M&As and more. In analyzing 190,000 funding rounds across 143,000 distinct companies, we have outlined corporate growth stages that are worth paying attention to. Not every company follows the same path, but here are some trends we have uncovered.

Not surprisingly, the number of successful funding rounds diminishes in volume the later it gets (because not every company reaches the later funding stages). From 2010 to present, the average time in between funding rounds was:

Founded → Seed = ~548 days; Seed → Series A = ~724 days; Series A → Series B = ~628 days; Series B → Series C = ~605 days; Series C → Series D, IPO, acquisitions = ~586 days

Based on this data, here are our top tips for financial advisors when approaching entrepreneurial wealth prospects:

Leverage your Network: Existing relationships are always your best path to success. Pay attention to your network and focus on the people you know and/or those who can introduce you to people who work at private companies receiving funding.

Know your Audience: Securing a round of funding doesn't always mean an immediate paycheck for the executives. The same goes for acquisitions. That being said, congratulating c-level and early high-level employees on their successful funding rounds is a great way to begin to build trusted relationships early, and thereby position you for success as they start to realize wealth from their businesses.

Monitor for rapid funding: This might be the most exciting tip. Based on the averages above, some companies whiz right through their funding rounds. They secure investments quickly, shortening their funding cycles and gaining momentum. These are companies worth paying attention to, and their employees are likely in the most need of your services.

From 2019-2020, 17 companies completed their Series C funding in a mere 200 days versus the average 605 days. And another 40 companies completed theirs before 400 days. We're keeping our eyes on these entrepreneurs as they work their way toward hitting their wealth buzzer, and you should too. ■

Ned Dane is the Chief Strategy Officer of Aidentified.

Learn more at www.aidentified.com.

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The Advisor's Dual Mandate: Mitigating Risk and Generating Income for Retirement

WealthManagement.com
2021 Industry Awards
Finalist

By Heather Kelly
ALLIANZ LIFE

Help protect your clients' assets, but make sure they are generating enough income so they can enjoy retirement. Simple, right?

Unfortunately, no. Achieving this dual mandate is no easy task for today's financial advisor. The historically low interest-rate environment, coupled with high equity valuations and an uncertain economic recovery, has made preparing clients for retirement more challenging than ever before.

According to Allianz Life Insurance Company of North America's (Allianz Life) inaugural RIA Retirement Risk Review Study, 88% of financial advisors report it is more important to effectively manage risk in client portfolios than generate the highest gains. However, a majority of advisors believe that clients need to accumulate more money in order to have a financially secure retirement, but are too close to retirement to take on the risk of investing in a high-risk/high-reward financial product.

All in all, this leaves financial advisors in a tough spot. As an advisor facing this predicament, you may be asking yourself: What are the biggest risks facing my clients? How can I better help mitigate these risks in their portfolios?

The dark cloud on the horizon

There seems to be an ever-growing list of potential threats to clients' retirement security, from increasing health care costs to excessive spending to stock market fluctuations. Keep in mind that these risks can also change depending on a client's proximity to retirement, according to our analysis.

Amid the numerous threats, one risk appears to be looming largest: longevity. Seventy-two percent of advisors report clients in or nearing retirement are concerned about longevity risk, or outliving their money in retirement. Fortunately, most advisors are looking to address this threat head-on, as 84% talk with their clients regularly about the risk of outliving their money.

Exploring new solutions

As the challenge of preparing clients for retirement is becoming more complex, the risk-mitigation solutions available to advisors and their clients are also evolving. With risk management top of mind, four in 10 advisors surveyed are considering new risk-management solutions this year, including low-volatility ETFs, buffered outcome ETFs and annuities.

When exploring new risk-management solutions, we understand it's not always easy to switch strategies or implement new solutions. According to our latest study, the fear of sacrificing returns remains the biggest barrier for advisors, followed by cost and lack of familiarity.

As with making any important decision, it's imperative to conduct extensive due diligence and leverage the knowledge and experience of trusted resources when choosing a new risk-management solution. Remember, taking the time to educate yourself and your clients about new products and solutions can go a long way in helping to ease any anxiety.

With retirement on the horizon for many clients, you are undoubtedly striving to ensure they will have financial reassurance to fully enjoy their golden years. While today's market environment doesn't make this task easy, taking the time to explore new, innovative solutions can help you better prepare your clients for their path forward. ■

Heather Kelly is Senior VP of Advisory and Strategic Accounts at Allianz Life.

The Future State of Asset Management

Wealth Management.com
2021 Industry Awards
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By Cliff Walsh, CFA
AMERICAN PORTFOLIOS

Are your clients' portfolios positioned for the profound changes that are likely to affect every investment they own, as well as the very foundation of our financial system?

In a provocative white paper published by BNY Mellon Investment Management, Future 2024: Future-Proofing Your Asset Allocation in the Age of Mega Trends, two secular trends were identified that will reshape the asset management industry and require financial advisors to consider future-proofing their clients' investments.

The First Mega Trend: Artificial Intelligence (AI)

The view on AI is fairly well accepted and known—it's expected to be the catalyst for a Fourth Industrial Revolution. AI presents four major investment challenges … or opportunities:

- The first is that product lifecycles will grow shorter, which not only demands higher research and development budgets, but can quickly turn a very successful company into a has-been.
- The second challenge is one of valuation. Namely, how do investors value a company that spans multiple industry sectors? Does an industrial products company with high-tech services sold on a subscription basis get the multiple of a cyclical or technology stock?
- Another effect of AI may actually come at the expense of emerging markets, as onshoring of manufacturing—thanks to 3D printing—disrupts supply chains.
- Lastly, intangible value within a company due to AI will grow, making price discovery more difficult.

The Second Mega Trend: The Environment

Another well-known trend, but not entirely integrated into investors' portfolio construction or security selection process, is the environment. Admittedly, we already see a movement into Environmental, Social and Governance (ESG) funds.

The bigger challenge, however, is pricing large unknowns (e.g., future government policy and stranded assets).

Big Implications for Big Asset Managers

The trend toward passive investing and lower fees has been ongoing for some years now. However, with the emergence of AI and the environmental priorities, the asset management industry is likely to evolve by:

- Growing its participation in private equity to capitalize on AI-driven corporate restructuring, as well as for investing in green projects
- Alpha-beta decoupling will continue; falling costs will further drive passive investing, but AI will find new sources of alpha generation that may have previously been out of reach or out of sight
- Theme investing will grow, as future portfolios look to profit from these two massive trends
- Asset managers will converge around four distinct business models—beta factory, distribution powerhouse, alpha shop and solution provider—in which many will target an emerging investor population comprised of women and Millennials who hold different values and objectives from previous generations

To learn more about what may be in store for advisors and investors, we invite you to read the full white paper. ■

Cliff Walsh, CFA, is Chief Investment Officer at American Portfolios Financial Services, Inc.

Learn more at americanportfolios.com.

AMERICAN PORTFOLIOS

The Disconnect Between Risk Tolerance Questionnaire and Portfolio Decision

By Helen Yang, CFA
ANDES WEALTH TECHNOLOGIES

WealthManagement.com
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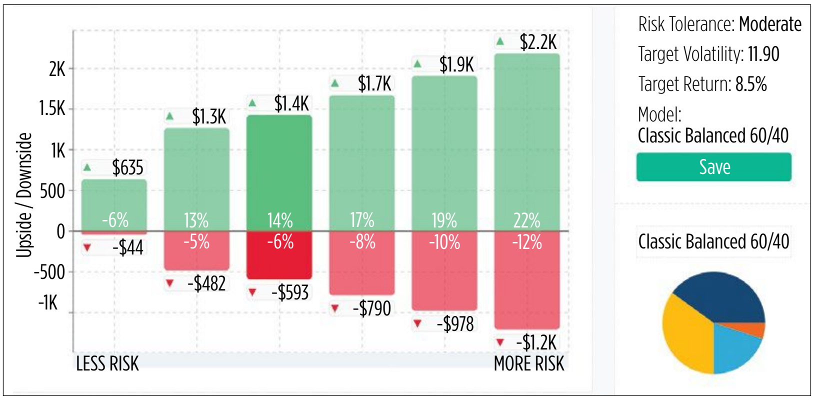
Constructing an investment portfolio that matches the client's risk tolerance is a fundamental task for financial advisors, but not necessarily an easy one. Many advisors still use a traditional Risk Tolerance Questionnaire, which does not provide a direct linkage to the portfolio decision.



Some questionnaires simply ask the client, "what is your risk tolerance?" And the client will choose high, medium, or low. This self-described risk tolerance tends to be unreliable and unstable.

Other questionnaires ask a series of questions to get the risk tolerance. For example, one of our RIA clients uses a questionnaire that includes questions like: "how would your best friend describe you as a risk taker?", and "how comfortable are you investing in the stock market?"

Results from such questionnaires tend to be relatively stable, but there is still a disconnect between these questions and the portfolio decision. For example, how do you prove that the balanced portfolio is the best fit for a client instead of the growth portfolio? More importantly, how would client know that they could lose money when investing in a diversified equity portfolio, and how much?

There needs to be a more direct approach that is transparent and defensible.

Many firms use model portfolios to standardize their investment practices, and the most direct approach is to ask the client to pick a model in the model set based on the upside/downside tradeoff that the client is most comfortable with (see chart). It is like going to a café that offers salad, soup, sandwich, and hamburger, and you pick one based on your appetite.

This way, the result maps directly to a model, and the client explicitly acknowledges the downside they are willing to accept.

"This makes perfect sense," one might say, "but if this is so intuitive and direct, why haven't other vendors done it already?" We wondered about that too. As far as we know, our patent pending Risk Tolerance Test is the first and the only one that allows advisory firms to plug in their models.

What if a firm have multiple model sets? Many firms have a basic model set for entry level clients and a different set for higher net worth clients. In this case, the Risk Tolerance Test should reflect the intended model set for each client.

Once the client has a portfolio that matches their risk tolerance, we should monitor it on an on-going basis to make sure it continues to be a good fit. This is where things get tricky.

When we talk about the investment risk, the first question is "what time frame?" Each time frame, from 1-month to 30-year, offers an important perspective of the overall risk picture. During extreme market conditions, the short-term risk will spike. Does it mean that the risk is now misaligned, and the client portfolio needs to be adjusted? No.

It is important to acknowledge the higher risk in the short term to validate the client's concerns, and then emphasize how the risk is still aligned over, say, 3-year time frame. These rich perspectives cannot be captured by a single number.

Combining the Risk Tolerance Test and real-time risk monitoring, financial advisors can better fulfill their fiduciary duty and tell their long-term story. ■

Helen Yang, CFA, is the founder and CEO of Andes Wealth Technologies, and a winner of 2011 Harry Markowitz Award.

Learn more at www.andeswealth.com.

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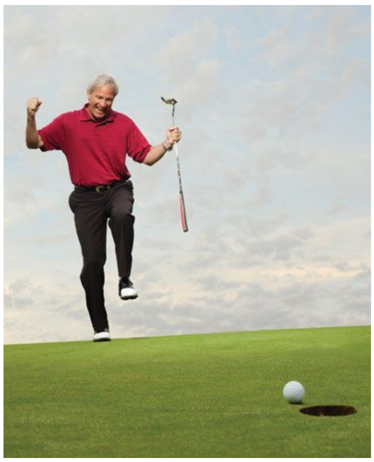
Optimism and Client Morale—Post-Pandemic Trends and Projections

By Gene McManus and Pat Fair
AP WEALTH MANAGEMENT



At AP Wealth Management, we work with a variety of clients, all of whom—like all of us—were affected by the pandemic and market volatility. We are happy to say, however, that the vast majority of our clients were optimistic about their finances a year into the pandemic and, importantly, they are even more optimistic about the future now.

Our retiree clients are especially optimistic. They are debt-free and have experienced growth in the value of their financial assets. Obviously, their travel and leisure expenses were less than usual during the pandemic. Most of them seem to feel confident about the coronavirus vaccines and are looking forward to getting back to normal.

Our clients that are still working are also optimistic. Their investment portfolios have grown significantly. The PPP Loan helped some of them weather the storm and they feel like they are back on solid ground. Many have stated that 2020 was their best year ever business-wise.

No one knows what is going to happen over the next six months, but as we exit the pandemic, it's likely we have already seen most of the drama. Here are some factors that will shape the financial markets.

Interest rates and inflation will move higher… slowly.

Like the equity markets, there has been a run up in the ten-year treasury rate and the Consumer Price Index (CPI). These are transitory. We have become like the "slowly boiled frog" in that we are accustomed to low interest and inflation rates. A large percentage increase does not portend a return to late 70's and early 80's interest and inflation rates.

U.S. earnings will continue to outpace international markets; but keep a careful eye on the dollar with increased U.S. spending.

The U.S. continues to lead the current recovery. China's Gross Domestic Product (GDP) is only 67% of the U.S., even with four times greater population. U.S. spending on stimulus and contemplated spending on necessary infrastructure bears watching. A U.S. budget deficit that balloons could negatively affect the dollar.

Price, quality, or speed? Pick two.

The *price* of the market is high based on a price-to-equity ratio. The *quality* of earnings has been good as the economy has recovered from the pandemic. The speed of the recovery has been rapid. Quality and speed have been good, price is concerning.

Reverting to the mean.

In March of 2020, the globe effectively shut down as we know it. Ten months later, the financial markets began pricing in a recovery and, voila, that is what has happened. Markets are at all-time highs. Equities have outperformed their historical averages of 8.5%. Something has to give.

Benjamin Graham famously said, "In the short run, the market is a voting machine but in the long run, it is a weighing machine." Dogecoin, AMC, GameStop and the like are being voted on, but when the analysis continues, they won't register on the scale. The voting machine is gambling while the scale is investing.

What does that mean for the next 6 months? Only time will tell, but history proves that equities will outperform fixed income in the long run. ■

Eugene F. McManus (Gene), CPA, CFP® and William Patrick Fair (Pat) CFP® are partners and financial advisors at AP Wealth Management.

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AP Wealth MANAGEMENT

High-Tech Enables High-Touch: The Role of Financial Planning in the Client Experience

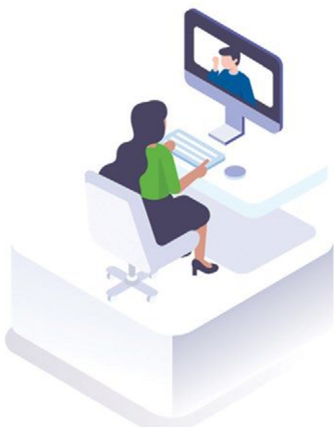
By H. Adam Holt
ASSET-MAP

At one point in the not-so-distant past, the worry was that technology would become so advanced that consumers would bypass financial advisors entirely.

That fear hasn't come to pass. However, we are experiencing a surge in the applicability and usage of technology within financial advice. That technology is being paired with advisors to create better experiences and a more robust client journey. It's a hybrid approach. Rather than replacing advisors, technology is being used by them to make themselves even more indispensable than before.

As technology usage increases, the ability for advisors to offer ever more high-touch service goes up too. The two aims don't compete—they complement each other.

There are two distinct ways in which high tech is enabling high touch: In financial planning, and the client experience.



High-Touch Financial Plans

Saying that financial planning isn't what it used to be is a severe understatement. I remember the days when a client would come into my office and I'd give them a binder of information, complete with a table of contents.

I wasn't satisfied with that approach to planning, though, and neither were my clients. Instead, I began to trim away as much as possible—until I arrived at a one-page sketch that put all their household finances onto one page.

It was clean and simple. Today, technology makes that easier than ever. And as the presentation of plans becomes more client-friendly, the ability to create more of them has increased too.

Financial planning technology is now used in almost every financial professional engagement. The number of plans being created for consumers is at an all-time high, and they are receiving better, more frequent advice as a result.

High-Tech Client Experiences

As more plans get delivered, the client experience around those plans must get better. Here, we also see the way technology is transforming the way advisors and their clients interact.

Instead of that binder, or even that printed out piece of paper, clients now primarily get financial plans delivered digitally.

Technology has allowed financial planning to become what it was almost meant to be: A series of discussions that adapt and change over time. In truth, a financial plan is never finished.

The digital experience lets clients get instant updates to their plans instead of having to wait for the next meeting with the next binder that's already out of date.

The Future Role of Technology in Planning

It is increasingly apparent that technology will continue to yield ever more personalized ways to connect with and serve advisory clients. Instead of automating advisors out of existence, technology is automating the ability for advisors to help more investors than ever before.

This is great news for advisors. But more importantly, it is great news for consumers.

Access to financial planning has never been more readily available. The expert financial advice that was once reserved for only the high-net-worth clients can now be delivered, profitability, to mass affluent investors who also need the assistance only advisors can provide.

The financial advice profession is changing, but it is changing for the better. Advisors who are equipping themselves with the technology necessary to create an adaptive, client-first planning model today are positioning themselves to be the ones who will lead the profession into tomorrow. ■

H. Adam Holt is the CEO and Founder of Asset-Map.

Learn more at Asset-Map.com.

asset+map

Three Tips for Creating a People-First Culture

By Marwa Zakharia
ASSETBOOK

Most successful business owners and executives I know have a "people first" mentality when it comes to business. Foundationally, I believe that placing emphasis on developing, growing, and nurturing employees is also the best way to develop, grow, and promote a company. I knew early on in my career that I wanted to help people; I just wasn't sure where that would lead me. I've spent most of my career in leadership roles and one constant remains the same, people. Without the right ones, organizations suffer. We can get in our way at times believing it's profit, then people, but that is simply not accurate. The right employees are the foundation of every successful business. Their happiness and success matter. You achieve this by creating a People-First Culture and focusing on these critical elements:

Tip 1: Stand side-by-side with your staff.
If you want your team to believe they are your top priority, you must show them. Communicate. Be transparent. Know where to draw the line. Getting too involved will only stifle your teams' engagement. In my experience, creating an environment built on trust and openness has consistently resulted in motivated individuals wanting to achieve our

Placing emphasis on developing, growing, and nurturing employees is also the best way to develop, grow, and promote a company.

company goals together.

It is also essential that employees feel they have a voice. Encourage employee feedback by creating a safe environment and empower them to make impactful decisions. I've heard stories about past experiences where employees had been asked to provide feedback only to be chastised about it later. This behavior only displays insecurity and poor leadership besides being a sure-fire way to destroy trust and morale.

As leaders, we must understand that feedback is gold. Feedback is the currency to building a better organization. It is a tool that can improve a product, service, or work environment and is essential to the success of making sure our employees are happy and satisfied. Ensuring that staff understands their feedback is not only welcome but heard and appreciated without fallout is the key to earning trust and creating a culture of growth and respect.

Tip 2: Growth and development.

2020 was a challenging year for companies and employees alike. However, employees haven't magically started feeling less stressed or anxious solely because it's a new year and the pandemic is receding. As leaders, we should always do our best to know how our employees are doing and how they are feeling. Engage your workforce and challenge them. This could be through cross-training or "role swapping", mentoring programs, conducting lunch and learns, book clubs, online training and industry events.

I like to focus on a few key areas when thinking about team growth and personal development.

- **Put an emphasis on well-being.** A good start would be to consider offering flexible work schedules, encouraging travel, enforcing a minimum time-off policy or sabbatical that allows employees to disconnect and fully recharge. Doing so goes a long way in building trust and loyalty, letting your employees know we value their wellbeing.
- **Personal development is just as important as professional development.** Ongoing communication such as regular one on ones is imperative. This is also a great way to learn about your employee's goals and tailor job-specific training, career advancement and help your employees become better professionals. After a year like 2020, it is vital to encourage employees to get out! Whether it's attending continuing education courses, networking events, conferences. Be supportive of their interests and above all, stay tuned in.

Tip 3: Recognition goes a long way.

Employee recognition has a positive impact on workplace culture, that is a given. But did you know that this effect is magnified during challenging times? At a time where the pandemic has caused many organizations to take a hard look at their financials and consider budget cuts, don't make employee recognition one of them. In addition, be sure to let your employees know your appreciation by recognizing their hard work amongst their peers at a town hall meeting or even an internal communication channel. A featured employee of the month publicized to the clients in a newsletter or social media post is another way to say, you make a difference and I am proud to let the world know it!

Creating an environment built on trust and openness has consistently resulted in motivated individuals wanting to achieve our company goals together.

A people-first culture is not just a saying.

At the end of the day, we are all human and it feels good to be recognized for who we are and the work we do. I've often been asked by colleagues, "How do you know your employees feel they are part of a people-first culture?" My answer is always the same. Simple, ask them. ■

Marwa Zakharia is the CEO of AssetBook. She has extensive upper management experience, holding positions such as CEO, COO, VP, and providing guidance to companies in various industries as a business strategy consultant. Marwa has worked in the financial services industry and FinTech space for over 20 years, helping companies increase their market share and develop revenue growth processes. She is well-versed in human resources, operations, and overall strategic planning. Learn more about Pulse by AssetBook, a portfolio management tool for advisors.

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The Power of Connecting, Communicating and Engaging

WealthManagement.com
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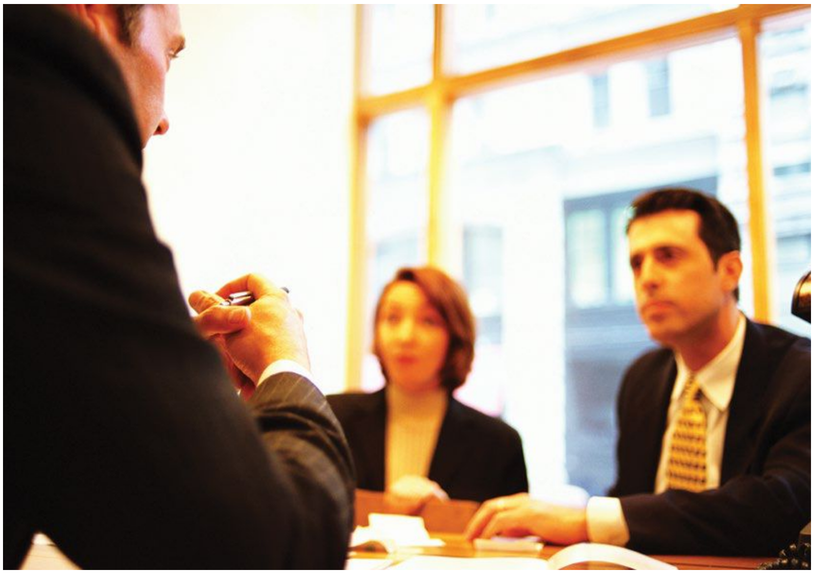
By Eugene Elias, Jr.
ATRIA WEALTH SOLUTIONS



The last sixteen months reconfirmed a trend that has been on my mind for several years—the growing impact of technology on our relationships. The conveniences, the instant information, the digital connections and the immediacy of everything have reshaped our thinking and the perception we have of each other and our world. The advancements during the last decade are unprecedented and have had a profound impact on the way we connect, communicate and engage with one another.

While email, text, social media and virtual meetings play a critical role and particularly did so during the pandemic, they limit our ability to connect and engage in deep and meaningful communication. It is only through in-person interactions that the depth and authenticity of true relationships manifest. The totality of our senses is in play when we sit across the table from someone and are not restricted to a screen, characters or picture.

One of the reasons we've been losing deep connections over time is the digitization of our lives. Technology has made it easy to connect but also easier to disconnect. As a result, more people are lonely, misunderstood, anxious and stressed. Ironically, this is happening when we are so "plugged in," but if you reflect and review the data, it becomes quite obvious why this is happening.

It's time for real relationships. Only a few professions (e.g., doctor, therapist) allow for the same level of realness that financial professionals practice every day. Yet, even with diverse practices and offerings, financial professionals share a desire to become their clients' trusted advisors. They do this by listening to their clients' dreams and apprehensions and providing guidance and advice through good times and bad.

We need to connect, communicate and engage continuously, and it takes time and effort on both sides to make that happen. While you might think that you've lost sixteen months of your practice behind computer screens, there was so much learned during this time. Financial professionals realized the importance of authentic communication and adopted new technology skillsets to help existing client relationships thrive and begin to build new ones. In addition, the effort to continuously engage with clients and prospects created more in-depth discussions that are the cornerstone of meaningful relationships and trust.

At Atria Wealth Solutions, we could not be more excited to continue our journey in person at our annual conference in September and at other events along the way. The level of connection, communication and engagement will return us to our center of gravity—those coveted in-person relationships. ■

Eugene Elias, Jr. is the COO and Co-Founder of Atria Wealth Solutions.

Learn more at www.atriawealth.com.

ATRIA
Wealth Solutions

Messaging Lessons for Wealth Managers in a Post-Pandemic World

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By Paul J. Lim
BACKBAY COMMUNICATIONS

While the markets may be acting as if everything is getting back to normal, wealth advisors know that most investors haven't gotten over the pandemic yet, at least not psychologically.

To be sure, with the S&P 500 and MSCI EAFE indexes back at all-time highs, many portfolios have fully recovered—and then some—from the market lows of March 2020. Yet even as Covid restrictions are lifting and businesses are opening back up, there are plenty of signs that the fear and stress triggered by the pandemic and ensuing economic downturn have yet to subside.

This is manifesting in a variety of forms. In some cases, it is leading to an aversion to risk-taking. More than half of high net worth investors believe "de-risking their portfolios" will be a top priority over the next 12 to 18 months, according to a recent survey by BDO. In other cases, investors aren't as trusting of the markets as they once were. A survey of affluent investors by FactSet released in April found that 85% only want to invest in companies they know and trust going forward. Overall, nearly 60% of affluent investors believe their wealth planning strategies will need to be altered as their priorities, sensibilities, and situations have changed.

In this type of environment, how can advisors reassure disquieted clients in the second half of the year with their messaging and communications?

Acknowledge what we've been through. While behavioral finance experts warn us not to fixate too much on the recent past to avoid the trap of recency bias, history teaches us not to ignore the lingering after-effects of true Black Swan events. The Great Depression and the global financial panic changed investor attitudes for years and reset goals, and the pandemic is likely to do the same.

In other words, this is not the time to revert to the communications strategy of 2019. Instead, be willing to acknowledge the impact of the pandemic and your clients' anxieties in client communications and thought leadership.

Talk about *values* in addition to value. For many investors, the pandemic exposed inequities in the economy and the healthcare system. For others, it offered a glimpse of the type of devastation that climate change could trigger. As Vikram Gandhi, who developed and teaches Harvard Business School's first course on impact investing, recently wrote: "Think of the magnitude of destruction, over and above the catastrophic effects of 2020, if coasts begin to disappear, fertile lands go barren, and if millions are displaced? Then consider that there are no vaccines to contain rising sea levels or tame extreme weather events like flooding, hurricanes, and wildfires."

Not surprisingly, 72% of affluent investors say they now want to learn more about responsible investing, according to the FactSet survey. And a separate survey by the consulting firm Capgemini found that investors who already embrace sustainable investing want to commit a greater percentage of their portfolios to these strategies after the pandemic. To help them do that, advisors need to communicate their willingness and ability to reflect client values into their wealth plans.

More than that, advisors need to communicate on a much more personal level than ever before to convey their empathy and interest in truly understanding their clients' beliefs and principles. While embracing the personal seems more like life planning than wealth planning, that's actually one of the biggest takeaways of the pandemic—that our physical and financial health and psychological and spiritual well-being are all inexorably linked. ■

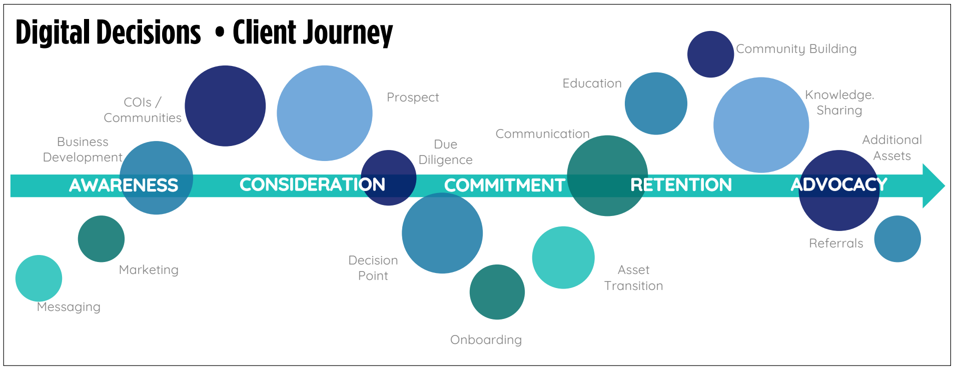
Paul J. Lim is Vice President and Head of the Asset Management and Impact Investing group at BackBay Communications, an integrated public relations, content marketing, and branding firm focused on asset managers, fintech, impact investing and private equity clients.

Learn more at www.backbaycommunications.com.

BACKBAY
COMMUNICATIONS

Digital Decisions: How Clients Find Their Financial Advisors Online

By Gretchen Halpin
BEYOND AUM



Every day, decisions are made based off of digitally sourced information, showcasing just how large a role the digital world plays in how we connect and engage with one another, including with clients and prospects. For this reason, it's essential that financial advisors tick all of the digital marketing boxes, from owning an active website and having a social media presence, to utilizing an engaging nurture campaign. Every facet of your digital marketing technique should be intentional, carefully thought out, and interconnected in order to build brand awareness and, ultimately, trust.

Pressing Play

So, what can you do to build brand awareness and trust? Let's walk through the funnel.

Attract potential investors: The whole point of brand awareness is to attract potential investors. This can be achieved via blogs, social media, or incoming links to landing pages.

Engage the target audience: Once brand awareness has attracted the attention of potential investors, the next goal is to hold that attention by providing content that offers value, entertains them, or addresses certain pain points.

Capture leads: Let's face it, the simple truth is that most people have very short attention spans. As a result, it's likely that they may need repeated exposure to your brand. For RIAs looking to foster brand growth, it's key to capture the personal information of visitors and prospects in order to keep awareness of your services at the top of their minds.

Nurture leads: The process of building brand trust is called lead nurturing, and it happens gradually. The best way to nurture leads digitally is by consistently using micro-content so you can provide value across multiple digital platforms in different forms. Using our COPEÔ (Create Once Publish Everywhere) method, financial advisors can develop connections and provide value over time. Then, when the time comes to convert a prospect to a client, they already understand your firm's value proposition, as well as the unique qualities that help you stand out from the competition.

Lead convert: With carefully crafted lead nurturing campaigns, you can help prospects reach the conversion stage of the funnel. At this point, they have subconsciously come to understand that your investment advisory firm offers the solutions they need to meet their goals.

The Rewind and Fast Forward

Before you even think about getting started with digital marketing, ask yourself this one question: "Who is my ideal client?" If you don't identify and isolate an ideal client type or types, you'll end up providing brand awareness for the wrong set of people. Set goals and objectives with your perfect client in mind to determine the return on your marketing investment.

The marketing process described above seems straightforward and in theory, it is. In practice, however, maybe not so much. This "marketing machine" has lots of small cogs and gears, each one as important as the next. Download our whitepaper to get a detailed breakdown of the cogs vital to run an effective digital marketing engine that will foster brand growth. It's the comprehensive digital marketing guide for financial advisors who are ready to grow—complete with the tips and explanations to put leading-edge marketing techniques to work for you. ■

Gretchen Halpin is Co-founder of Beyond AUM.

Learn more at beyondaum.com.
Follow us: Twitter and Linkedin

The Lasting Impact of the Pandemic: Greater Investor Focus on Social Equity

By Michael Whelchel
BIG PATH CAPITAL

While Covid has impacted the financial markets in a myriad of ways, two effects are likely to stand out for years to come.

For starters, investors are emerging from the pandemic with a far greater interest in making a positive impact in their communities, society, and the planet alongside profits. A recent survey by MSCI found that more than three quarters of institutional investors plan to increase their ESG investments "significantly" or "moderately" in the aftermath of Covid.

At the same time, Covid has broadened the scope of sustainable investing. Nearly two-thirds of asset managers surveyed by Institutional Shareholder Services said that social factors—the "S" in ESG—are attracting more of their attention since the pandemic started. And within those social issues, there has been a raised level of consciousness on Diversity, Equity & Inclusion catalyzed by George Floyd's murder, which sparked a desire to take action toward dismantling systemic racism.

At Big Path Capital, we're seeing this firsthand. In fact, this heightened interest prompted us to kick off our Impact CEO Series earlier this year with a three-part webinar on anti-racism. What we gleaned from those conversations is that for many investors and business leaders, Covid has cast an enduring spotlight on systemic racial inequities. This was due to the disproportionate negative impact the pandemic had on communities of color; the glaring financial and healthcare inequities that surfaced as the economy shut down in 2020; and the racial justice awakening that took hold throughout last year.

This awareness is taking place at both at the macro and micro level. At the 30,000-foot level, CEOs understand that, in addition to the moral imperative, there is a real economic cost to allowing systemic racism to go unchecked. A 2018 study by the W.K. Kellogg Foundation and the Altarum Institute, for instance, found that closing the racial income gap by the year 2030 could increase U.S. gross domestic product by 16%, or $5 trillion a year. It's no wonder, then, that since the murder of George Floyd last May, companies have committed $200 billion toward addressing racial equity issues, according to a recent report by McKinsey & Co.

At the ground level, business leaders also understand that racial inequity hurts their bottom line. McKinsey released a study called "Diversity Matters" that included 1,000 companies and measured the effect of ethnic and racial diversity on profitability. The data show a linear relationship between racial and ethnic diversity and better financial performance. For every 10% increase in ethnic diversity on the senior-executive team, there was a 0.8% improvement in EBIT among U.S. companies. Moreover, firms in the top quartile of C-suite ethnic diversity had a far greater probability of above-average performance than those in the bottom quartile.

While addressing racial inequity may sound like an obligation, it's actually an opportunity. By elevating values that are important to key stakeholders, businesses can improve the fundamentals upon which their businesses are built.

And now more than ever, impact investors are drawn to companies that embrace this new vision of capitalism, which believes that every transaction represents an opportunity to promote both principles and profits. A recent survey by the wealth management firm Boston Private found that nearly eight in 10 Millennials and seven in 10 Gen X investors say Covid has changed how they plan to use their wealth in the future. That's something that companies, investors, and fiduciaries simply can't ignore. ■

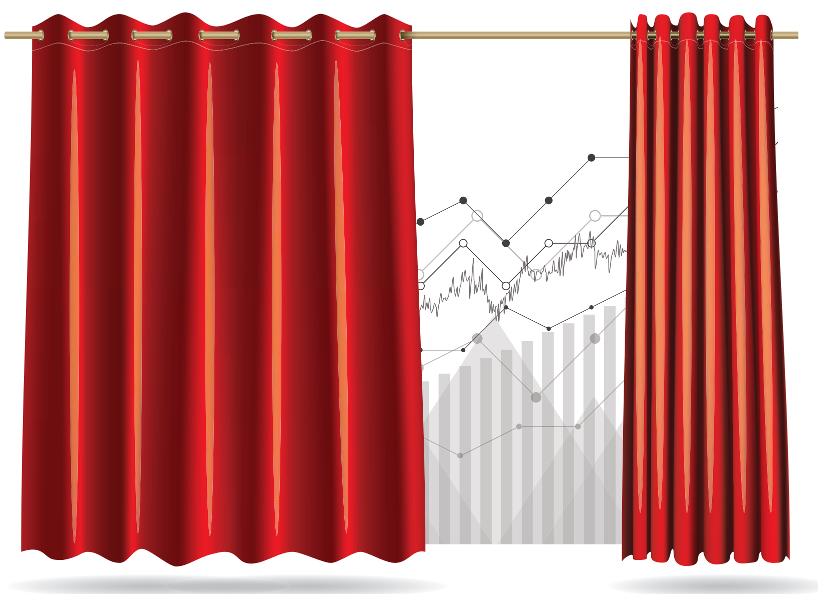
Michael Whelchel is Co-Founder and Managing Partner at Big Path Capital, the leading investment bank for positive impact companies and funds.

Learn more at www.bigpathcapital.com.

BIG PATH
CAPITAL

Why Financial Advisors Should Care About Non-Transparent ETFs

By Terry Norman and John Mulroy
BLUE TRACTOR



In 2019 the Securities and Exchange Commission approved a new type of actively managed exchange traded fund (ETF) commonly termed *non-transparent*. The key benefit of a non-transparent ETF for an active stock picker is that this structure fully protects their *secret sauce* and masks associated portfolio trading, thereby preventing front running and free riding. Six firms have developed various twists of the non-transparent structure; Precidian, New York Stock Exchange, Fidelity, T. Rowe Price, Invesco and Blue Tractor Group—and the intellectual property associated with each firm's wrapper is currently being licensed to fund managers seeking to bring proprietary active strategies out of the traditional mutual fund and SMA world and into an ETF.

These wrappers all differ from fully transparent active ETFs because non-transparent ETFs are not required to disclose daily (through a published creation basket) the exact contents of the underlying portfolio. Instead, they are required only to disclose their actual portfolio on a quarterly basis, so essentially mimicking the portfolio transparency of an actively managed mutual fund, while reaping the benefits of an ETF; low cost, tax efficiency and instant liquidity.

Additionally, the non-transparent ETF structures disclose on a daily basis additional information and metrics to the ETF capital markets, ensuring orderly primary and secondary market pricing, trading, liquidity and effective arbitrage. In the case of the NYSE, Fidelity, T. Rowe Price and Invesco, their wrappers publish a *proxy portfolio* creation basket employing substitute securities that mimic the actual portfolio securities. Precidian's wrapper doesn't publish any basket; instead, the actual portfolio is provided to a special purpose capital markets participant (known as the AP-R) who transacts directly with the portfolio manager and other institutional traders. Blue Tractor differentiates itself in that its published creation basket does not employ proxy securities and an AP-R is not a requirement.

Nomenclature in this new space can be confusing—more often than not these ETFs are termed *non-transparent* but sometimes they are called *semi-transparent*. Suffice it to know that these descriptors are interchangeable and mean the same thing; namely that this new ETF structure is designed to protect the active portfolio manager's *secret sauce*.

The $5 trillion ETF market is almost exclusively fully transparent at this juncture. A key driver of this dynamic is that the majority of ETFs are passive vehicles that track an underlying, published index (think SPY, QQQ etc.) so there isn't a requirement to mask the ETF portfolio and associated trading. Moreover, the highly successful actively managed ETFs managed by Cathie Wood at ARK Investments are also fully transparent. However, in stark contrast to the ARK experience, a large majority of active stock pickers now using the mutual fund wrapper are not comfortable with complete daily portfolio transparency and are therefore embracing the new non-transparent ETF structure. Other tailwinds expected to drive the non-transparent space is the SEC's receptivity to approve mutual fund to ETF conversions and the desire for ETFs over mutual funds by millennial investors. All of these dynamics likely mean a tsunami of active non-transparent ETFs will hit the market by 2022.

What are the key benefits for investment advisor and their clients? First, non-transparent ETFs open up a new avenue of investing, tapping into proprietary active strategies that until now were unavailable in an ETF wrapper. Second, investors will benefit from lower costs for these products; as a rule, these ETFs are always priced lower than the comparable mutual fund strategy (so important for Reg BI and other fiduciary considerations). Third, because they are an ETF, investors can transact through their regular brokerage account and get immediate liquidity since they are exchange traded. And four, these are highly tax efficient structures thanks to an ETF feature known as custom baskets; it is very unlikely that any non-transparent ETF will accrue capital gains at the fund level and require a 1099-DIV be sent out to clients.

The first non-transparent ETFs listed in April 2020, shortly following the Covid market meltdown. Since then, about 10 firms have launched 35 of these ETFs on NYSE, Cboe and Nasdaq, and they are approaching $2 billon in AUM. In contrast, the active mutual fund market (equity and debt) sits at around $10 trillion, so there is a lot of room for growth, as evidenced by the growing pipeline of active fund managers who have announced their intention to issue strategies inside the non-transparent ETF wrapper. Expect to see more product, offering investment advisors more choice of novel and differentiated actively managed strategies for investors.

So how does one determine if a newly launched actively managed ETF is non-transparent? Firstly, an advisor's clearing firm will categorize it as non or semi-transparent. Second, review the ETF's fact sheet and SAI. Non-transparent ETFs have clear, plain English risk disclosure language.

And note too that the SEC limits portfolio managers using the non-transparent ETF wrapper to primarily domestic exchange listed equity securities and futures. Currently, non-transparent ETFs are precluded from investing in fixed income securities, securities from Europe, Asia etc. and using any derivative instruments, including options. Many industry observers believe that investment advisor use of non-transparent ETFs will gain further momentum once these ETF portfolio universe limits are lifted by the SEC.

All the recently launched non-transparent ETFs are available at the main clearing platforms; Schwab, Fidelity and Pershing and some RIAs and independent broker dealer are allowing their advisors to put clients into these products; but each RIA and broker dealer will still need to approve individual funds on a case-by-case basis dependent upon their firm's diligence hurdles, comfort level with the fund strategy, track record etc. Keep in mind that currently wirehouse advisors cannot recommend non-transparent ETFs to their clients; however, this is widely anticipated to change later in 2021 as these large firms complete their due diligence on this new class of ETF wrapper.

Let's conclude with some real-world examples of portfolio managers utilizing the Blue Tractor non-transparent wrapper to launch proprietary active strategies. SS&C ALPS Advisors launched a concentrated, actively managed real estate investment trust strategy (Nasdaq: REIT) that has returned 16% since inception date in mid-February 2021. And in March

Expect to see more product, offering investment advisors more choice of novel and differentiated actively managed strategies for investors.

2021 Stance Capital launched an actively managed core ESG ETF (NYSE: STNC) with a unique portfolio selection methodology driven by artificial intelligence and machine learning. Trading spreads for both ETFs are excellent—as low as a penny wide on some day—meaning that investors can buy and sell these funds at prices very close to their underlying value, ensuring a consistent client experience.

Realistically, at the end of the day investment advisors don't really need to concern themselves with the structural details of all the non-transparent wrappers. Advisors can rest assured they do what they claim to do, because the SEC has authorized them and the clearing platforms have approved the underlying structure and fund strategy. What ultimately matters of course for you and for your clients is the active fund manager's performance and their ability to generate alpha. ■

Terry Norman is a financial mathematician and the founder of Blue Tractor. His professional focus has been development of alpha generation models to support global Equity, Fixed Income and FX businesses. Previously he worked for firms in both the UK and U.S. including Bank of America, WorldInvest, PanAgora Asset Management, Morgan Stanley and Merrill Lynch.

John Mulroy heads up Blue Tractor's Capital Markets program. With over 35 years of experience, he started as an options floor trader at the American Stock Exchange. He most recently was Managing Director of ETF Capital Markets for Guggenheim Investments (now Invesco). Prior firms included Magnus Trading, Wolverine Trading, Spear Leeds & Kellogg and Hull Trading/Goldman Sachs.

The Inflation Conundrum

By Kris Schwork, CFA®
BNY MELLON | PERSHING

A nickel ain't worth a dime anymore —Yogi Berra

Inflation has been one of the hottest topics this year. Consumers and businesses have struggled to determine what type of price increases or decreases will be coming in the months ahead. Hyperinflation? Disinflation? Deflation? Stagflation? The market and investors have struggled to swallow the Federal Reserve's (Fed's) "pill" that the rise in inflation will be a transient trend tied to the reopening of the economy and not something more persistent. Considering no one accurately forecasted the economic destruction (and severity of that destruction) and the swift rebound during this pandemic, is it any surprise that inflation is creating quite the conundrum?

After COVID-19 brought the economy to a screeching halt last year, the rapidly reopening economy has led to surging consumer demand—partially goosed by multiple stimulus checks and months in lockdown—and supply chain disruptions. Add in the base effects and you have all the ingredients for baked in inflation. However, these three ingredients are likely to diminish over time as the economy recovers from the pandemic.

As Yogi Berra said, "You can observe a lot by just watching." And that's what the Fed said it plans to do this year as it seeks to pursue its dual mandate of maximum sustainable employment and price stability. With inflation running hotter, that's quite a change from the central bank's past tendency to "shoot" first (raise interest rates) at the first whiff of inflation and ask questions later. That's why the market has been grappling with whether the Fed will stand pat with interest rates or raise rates sooner than expected.

While the components of the consumer price index (CPI) most sensitive to demand—components with flexible prices—have largely led to the spike in inflation thus far this year, the components of CPI that change price relatively infrequently have remained stable. The Fed has tended to focus on sticky

CPI because it incorporates expectations about future inflation to a greater degree than prices that change on a more frequent basis.

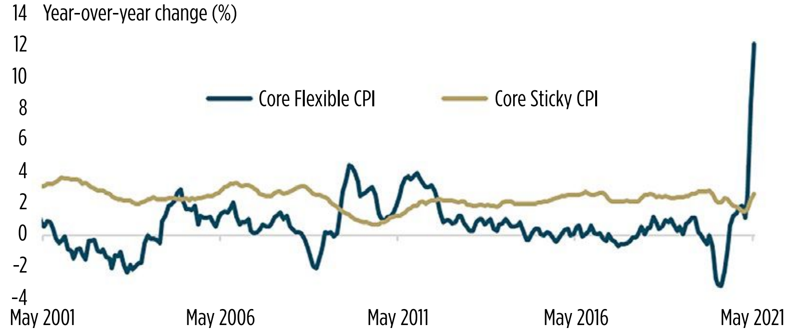
Inflation is a normal part of an economy working the kinks out as it transitions from an unprecedented halt and shutdown to a swift restart and recovery, with pent up demand butting into supply chain constraints. Getting the kinks out should be a temporary trend—a trend that isn't likely to disrupt the longer trend. Inflation has been generally weaker than the Fed's target over the decade prior to the pandemic as the economy recovered from the Great Financial Crisis.

Despite the rise in inflation, inflation expectations—surveys of consumers and businesses, economists' forecasts and inflation-related financial instruments—have remained anchored to the Fed's target of around two percent. The Fed will be watching for any signs of anchors away: when inflation expectations became unanchored and rise with actual inflation, creating an upward price spiral.

"It gets late early out here," which is why we believe the "noisy" economic transition from sudden stop to rapid recovery reinforces the need for and importance of professional financial advice to help investors separate signals from noise and keep their eyes on the prize: reaching their long-term investment goals and objectives. We also believe that active portfolio and risk management and maintaining a long-term focus, as well as exercising patience and discipline, better positions investors to achieve long-term success.

As Yogi Berra sagely said, "You've got to be very careful if you don't know where you're going, because you might not get there."

Sticky Prices Stable



CPI = consumer price index. Core excludes food and energy. Source: Federal Reserve Bank of Atlanta. Data as of May 2021.

Kris Schwork, CFA® is Senior Portfolio Manager for Lockwood at BNY Mellon | Pershing.

Learn more at www.Pershing.com/LockwoodAdvisors.

Inflation is a normal part of an economy working the kinks out as it transitions from an unprecedented halt and shutdown to a swift restart and recovery, with pent up demand butting into supply chain constraints.

From Money Manager to Financial Coach: Advisors Pivot in Response to Changing Client Needs

WealthManagement.com
2021 Industry Awards
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By Steve Leivent

BLACK DIAMOND WEALTH PLATFORM

What do clients want and need from their financial advisor? Much of the investment aspect of the advisory business has become commoditized. Algorithms are making buy-and-sell decisions. Custodial systems and TAMP platforms provide access to turnkey models. Zero-commission trading has become the norm. Investors can even access free financial planning tools. How will advisors continue to differentiate themselves in this ever-changing environment and avoid fee compression?

Successful advisors understand how their role must evolve. It's becoming less about investment decisions and more about life decisions. Clients need someone who will listen and provide objective counsel when faced with decisions that may have financial implications, as well as a trusted source to help keep them on track. In short, they need a financial life coach.

The coaching concept elevates the advisor's role, as one is no longer simply analyzing returns against a benchmark. Instead, you are showing how you are attuned to the behavioral and emotional aspects of a client's finances and how they relate to money. A recent article in U.S. News likened the financial coach to a personal fitness trainer. The trainer creates a diet and exercise plan for a client, then encourages the client to stick with it and not revert to unhealthy habits. Financial coaches do the same for their clients—they help them stay on track and avoid impulsive decisions that could cause setbacks.

Clients review their finances holistically, and they expect their respective advisors to do the same. This means advisors must have expertise beyond stocks and bonds, mutual funds, ETFs, and retirement products. A financial life coach needs to be conversant in life insurance, mortgages, college savings, estate planning, philanthropy, taxes, and other financial vehicles. Does a client have enough supplementary life insurance or excess? Should they borrow money or sell stock to finance a purchase? Is their son or daughter able to attend any college or university, public or private? Should they use inheritance to pay off the house or put it on the market? These can all be emotionally charged issues for clients, and advisors help bring a rational perspective.

The global pandemic started as a crash course in psychological handholding for many advisors, when a sustained bull market suddenly turned volatile and raised the risk of panic selling. Similar to personal fitness trainers, advisors spent a

great deal of time and energy trying to persuade clients to stick to their plans.

At SS&C Advent, the Black Diamond® Wealth Platform team thinks a lot about the advisor-client relationship, recognizing that its technology must be about more than accounting, reporting, and reconciliation. While all extremely important functionalities, the team also provides tools to help advisors reinforce and strengthen client relationships. That mindset has informed product development decisions from the beginning. Features like the mobile-friendly *Client Experience* portal with an interactive *Relationship Timeline* help reinforce an advisor's value in the eyes of their clients. Last year, the *Client View* application launched within Black Diamond, which helps advisors truly understand their clients better by capturing comprehensive relationship information in one intuitive and action-oriented application.

Today, advisors must position themselves at the intersection of their clients' personal and financial lives, and help them make the best of both, with thoughtful, informed, and compassionate coaching. This is something no algorithm can do. ■

Steve Leivent is a Senior Vice President and Co-General Manager of SS&C Advent.

Learn more at blackdiamond.advent.com.

Black Diamond
WEALTH PLATFORM

Rethinking Marketing in a Post-Pandemic World

By Tina Powell
C-SUITE SOCIAL MEDIA

While much attention has been given to WFH and the massive shift to go remote, little has been said about how many firms were complacent in their marketing during COVID-19. Not only did the pandemic expose deficits in proper technology, planning, and virtual communications tools like Zoom but it also showed a lack of digital marketing preparedness overall.

For the first time in history, financial advisors were forced to rely on digital and social tools, solely, to market themselves in a strictly virtual world. Most were ill-equipped. Outdated websites. No strategy for social. Marketing tactics ripped from the 'same-old playbook' proved to be ineffective in a post-pandemic world.

Advisors saw their own brands with fresh eyes like we see them—from the outside looking in, with fresh eyes, on mobile and on social. And while C-suite demands and expectations for marketers were exacerbated during the pandemic, truth be told, reality came with its own set of challenges:

1. **Expectation:** A strong LinkedIn presence to stay connected, build top-of-mind awareness, and share important news and updates.
   Reality: No strategy, messaging or master plan on what to do or say.
2. **Expectation:** Looking to use the power of video to keep clients informed during the pandemic.
   Reality: Missing the skills, support and know-how to produce video content of any kind.
3. **Expectation:** Planning to introduce a podcast that attracts new audiences and builds credibility in the marketplace.
   Reality: Lacking first-hand experience in planning, recording, and executing a podcast from conception to post-production.
4. **Expectation:** Understanding the importance of hosting virtual events to differentiate and stand out from the crowd.
   Reality: Missing fresh ideas, technical know-how, and project management oversight to make it happen.
5. **Expectation:** Craving an integrated approach to marketing that maps directly to business goals.
   Reality: The organization lacks the right marketing leadership and support team to create an integrated plan of execution focused on ROI.

If we've learned any lesson from the pandemic, it's this. For financial advisors and firms looking to rethink their marketing, social media is a good place to rethink and refocus marketing efforts.

According to a Putnam Investments Social Advisor 2020 Pulse Study[1] from June 2020, 74% of financial advisers who used social media for business initiated new relationships or onboarded new clients during the pandemic.

The study findings suggest that financial advisers who used social media during the pandemic, to communicate with existing clients, or to initiate relationships with new clients, were more likely to have those relationships result in new client onboarding. In other words, maintaining a constant presence on social media during and after the pandemic helped advisers keep their existing client base and grow the number of clients they managed.

Pandemic or not, it's not only how you show up but where you show up that matters. ■

Tina Powell is the CEO of C-Suite Social Media, a digital marketing and social media company for financial services. Tina is also the host of the In the Suite Podcast, which shares amazing stories of businesswomen in the financial services and wealth management industry and that is listened to in 42 countries and more than 706 cities.

1. Putnam Investments; Financial Advisor

Learn more at www.csuitesocialmedia.com.
LinkedIn
Twitter: @tinacpowell

csuite social media

The Renewed Potential Opportunity for Alternatives in a Post-Pandemic World

WealthManagement.com 2021 Industry Awards Finalist

By Nic Millikan, CFA, CAIA
CAIS

After a year of political and economic upheaval, the U.S. appears to be entering a period of renewal—a renewal in confidence and opportunity. From the energy transition to the digitization of the world around us, this potential renewed economic opportunity is occurring as the greatest transition of wealth gets underway. At the same time, there are signs of the renewed confidence in valuable investment tools, such as actively managed hedge funds, which may help diversify risk and enhance return.

The Impact of Intergenerational Wealth Transfer

It's projected that baby boomers will transfer up to $68 trillion to millennials over the next 30 years[1]. Of this amount, it can be expected that a large portion will find its way into ESG and impact strategies, as well as digital assets given the preferences of millennials highlighted in several recent surveys. One survey found that almost 75% of millennials believe their investments can directly influence climate change, and that they are twice as likely to invest in companies that have a positive impact on the world[2]. Additionally, 67% of millennials said they prefer digital assets, such as bitcoin, to gold as a safe haven asset[3]. As this generation's investors inherit the wealth of their parents, advisors may need access to education about ESG, impact and digital asset solutions.

Revisiting the Case for Hedge Funds

Hedge funds are also experiencing renewed investor interest following their performance during the turmoil of 2020. After trailing the performance of equities for most of the decade long bull run, last year's volatility drove dispersion within risk assets and helped hedge funds deliver their highest absolute return since 2009[4]. The positive performance was broad-based with all hedge fund strategies gaining over the year[5]. On a relative basis, performance was also strong with equity hedge strategies outperforming the S&P 500 index over the year. According to J.P. Morgan, hedge funds also exhibited attractive correlation benefits relative to a 60/40 stock/bond portfolio during the pandemic induced sell-off, with the positive correlation between these investments declining at its peak, thereby offering investors protective qualities[6]. This strong and defensive absolute and relative performance has carried over into 2021[7], causing advisors we are hearing from to reassess and tap into the potential role hedge funds may play in defending against future market uncertainty.

This period of renewal may provide opportunities for advisors who embrace demographic shifts and changing investor preferences, including to revisit the investment case for the inclusion of hedge funds. ■

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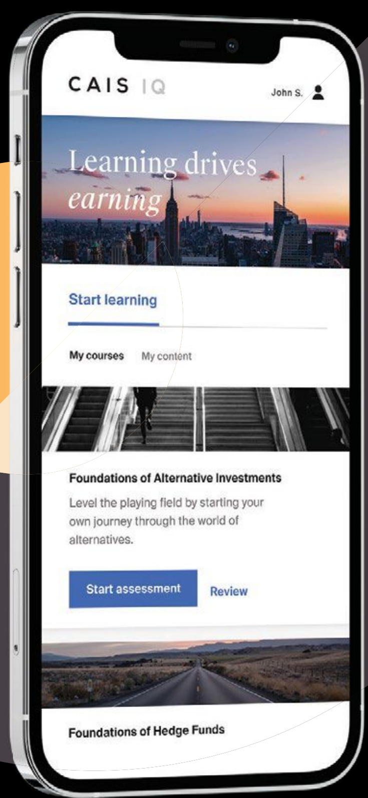

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Breaking Barriers: Top Alternative Investment Trends for Wealth Managers

WealthManagement.com 2021 Industry Awards Finalist

By Michael Muniz
CANOE INTELLIGENCE

The wealth management industry has changed significantly in recent years, with a strong pivot to digital tools and more holistic views of clients' financial wellness. At the same time, the alternative investment space is undergoing its own transition as technology enables unprecedented access to unfamiliar markets. Sure enough, these two worlds have been colliding, giving rise to disruption and uncertainty as advisers formulate new strategies and respond to shifting client demands.

Below, we at Canoe explore some of the defining trends facing the wealth management space from an alternative investment perspective and how firms can leverage technology and automation to navigate these dynamics.

Easier Access to Alternatives

The barriers to entry for investing in alternatives have receded substantially. Platforms like iCapital, CAIS and Artivest have enabled unprecedented access to alternative markets. As such, wealth managers are increasingly incorporating this asset class into their strategies. This creates new avenues to growing client wealth, but it also can create a host of new complexities, especially operational tasks like maintaining counterparty networks and managing documents.

There has also been a significant uptick in M&A activity in the wealth management space, compounding these inefficiencies. Combining two large firms in terms of workflows, intelligence and client relations is already a mammoth task; throw in the growth of alternatives and you run into significant scale issues. Wealth managers can mitigate these challenges by implementing automated technology that streamlines operations, facilitates faster client communication and allows advisers to focus on what sets them apart.

New Ways to Differentiate

Amid this surge in M&A activity, there has also been a wave of new and increasingly inexpensive entrants into the wealth management space, heightening competition and cost pressures. Advisers have responded by making aggressive moves to differentiate themselves and cut costs through a variety of means.

In some cases, advisers are overhauling client reporting to make it more actionable, visual and timely, making it simpler for investors to understand advisers' value. In others, it means migrating to the cloud and implementing processes to enable the future of work. Here, the benefits are twofold: wealth managers can more efficiently develop new client-facing offerings while also reducing operating costs and enhancing security. Bottom line: A decentralized workforce requires centralized workflows to maintain cohesion and productivity. For this to happen, advisers need tools to streamline and even eliminate manual and siloed processes and make reporting more holistic.

Data Centralization

As the wealth management space has grown, especially as it relates to alternatives, the steps required to provide clients with an aggregate picture of their wealth have proliferated. While wealth managers have alternative investment programs, high-net-worth individuals typically hold assets with a variety of entities. Most advisers are not paid to understand and provide insight on these holdings, but it is a widespread expectation that they do so if they are to truly serve as stewards of their clients' entire wealth.

Perhaps the biggest impact of this increasingly complex landscape is the fragmentation of mission-critical data and documentation functions. Modern wealth managers must track information from a huge array of sources, including numerous email inboxes and investor portals, and store it in a secure, easily accessible manner that simplifies and centralizes workflows.

In sum, while the rise of alternatives has increased the complexity of the wealth management space, implementing solutions that streamline operational processes can enable more focus on what advisers do best: generating client returns and results. ■

Michael Muniz is Partner and Chief Revenue Officer with Canoe Intelligence.

Learn more at canoeintelligence.com.

CANOE

The Risks and Rewards of Long-Duration Stocks

By James Lebenthal
CERITY PARTNERS

This year we've seen a lot of attention paid to higher inflation and, along with it, higher interest rates. The stock market has generally responded negatively to the risk of both, but nowhere has the response been stronger than aspirationally-valued technology stocks.

Interest rates have a significant effect on stock prices due to the Discounted Cash Flow (DCF) valuation method. Fundamentally, DCF attempts to normalize future earnings by discounting them at a rate that compensates for both inflation and the idiosyncratic risk of those earnings not being realized. As the discount rate rises, it not only has the effect of decreasing each individual period's earnings, but the effect is exponential the further we discount into the future.

The reason why technology stocks have been hard hit by this year's rise in interest rates is because many technology stocks have earnings that are low in the near-term years but are projected to grow rapidly in the out-years. Compare recent IPO (Initial Public Offering) stock ROKU to mature AT&T, for instance. Both are in the telecommunications sector and both participate in the creation and distribution of media content. Here are the profiles for their earnings over the next few years:

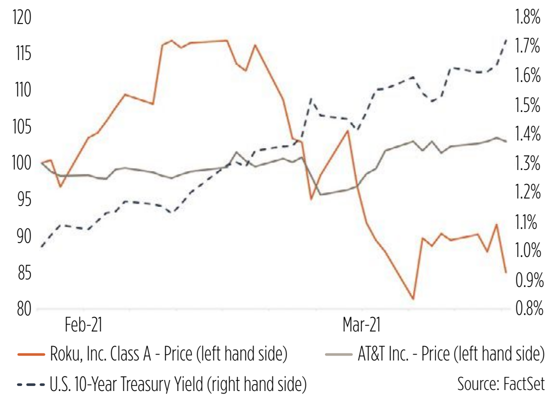
	2021	2022	2023	2024	2025
AT&T	$3.16	$3.15	$3.19	$3.14	$3.42
Roku	$0.31	$1.01	$2.74	$4.90	$11.02

Source: FactSet

Roku's earnings are projected to occur mostly in year four and beyond. The $11.02 of estimated 2025 earnings gets discounted back by the 4th power of (1 + the discount rate). The slightest rise in the discount rate will have an outsized effect on these 2025 earnings, which represent the bulk of Roku's value.

By comparison, AT&T's earnings estimates are far more stable and therefore derive more value from their current and nearby years' earnings. Thus, AT&T is not as affected as Roku when interest rates rise. As the 10-year treasury rate rose from 1.01% on January 27th to 1.73% on March 18th of this year, here is how these two stocks responded. AT&T barely budged while Roku dropped significantly.

The Effect of Rising Interest Rates on Stocks in 1Q 2021



And Roku isn't an isolated case. Various tech, IPO, and SPAC companies faced similar headwinds—and similar performance characteristics—during the 1st quarter's bout with rising interest rates.

It should be recognized that interest rate moves and their effects on stock prices are transient. Enduring share price movements come from the size, stability, and reliability of company earnings. While this article has focused on technology stocks and the outsized effects of interest rate movements on their share price, these are often the same companies that are building lasting earnings power through disruptive, novel technologies.

Understanding the effects of interest rates on share prices via the DCF model can give comfort during periods of market volatility. The ultimate decision to buy, sell, or hold individual stocks is more appropriately gauged considering a company's long-term earnings power.

For more Cerity Partners insights, visit our Thought Leadership library. ■

James Lebenthal is a Partner and the Chief Equity Strategist of Cerity Partners. He has over twenty-five years of experience managing investment portfolios, and is a regular contributor on CNBC.

Read disclosures here.

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Path to Parity

By Marina Shtyrkov
CERULLI ASSOCIATES

The industry has made small, yet significant steps toward diversity. However, women remain vastly underrepresented among financial advisors. Often, they face an unwelcoming environment, rife with pervasive biases, discrimination, and unjust treatment.

Advisor Gender, 2015-2019

	2015	2016	2017	2018	2019	Total U.S. Population
Women	15.7%	15.9%	16.2%	17.2%	18.1%	50.8%
Men	84.3%	84.1%	83.8%	82.8%	81.9%	49.2%

Sources: Cerulli Associates, Meridian IQ, Investment Company Institute, Insured Retirement Institute, VARDS, Strategic Insight/SIMFUND, Investment News, Judy Diamond, Department of Labor, PLANSPONSOR, S&P Capital IQ MMD, Financial Planning, Financial Advisor Magazine, Investment Advisor Magazine, and Cerulli Associates, in partnership with the Investments & Wealth Institute, WealthManagement.com, and the Financial Planning Association® (FPA®)

Misconceptions and limited familiarity with the profession can deter women from becoming advisors, and if they do decide to enter the industry, initial hurdles often feel insurmountable. Although building and sustaining a practice poses potential challenges for any advisor, women encounter barriers that disproportionately or uniquely impact their success as advisors.

The State of Advisor Gender Diversity

Women advisors are drastically underrepresented, notwithstanding marginal gains in recent years. Although they represent 50.8% of the U.S. population, women account for only 18.1% of total financial advisor headcount, as of year-end 2019.

The pace of change has been slow, but steady. Women's representation in the financial advice industry has gradually ticked up over the past few years, rising 2.4 percentage points from 15.7% in 2015. This growth, although minor, is an encouraging indicator of progress. Women's minority status in the industry exacerbates the challenges they face, given that it creates a sense of isolation and makes it more difficult to find peers with similar experiences.

For firms that successfully address these issues, opportunities abound. A diverse advisorforce confers a multitude of advantages that will allow firms with greater diversity to win marketshare, especially as diversity, equity, and inclusion (DEI) initiatives gain traction.

Untapped Opportunities

Women are more likely to work with women as clients. For 58% of women advisors, at least half of their primary client contacts are women, compared to only one-third of men advisors.

Connecting with women clients mitigates the risk of asset attrition upon wealth transfer. Women typically have longer life expectancies and are, therefore, likely to outlive their spouses, if they're male. According to the U.S. Census Bureau, as of 2018, women's average life expectancy is 81, whereas men are expected to live to age 76. Cerulli estimates that $70 trillion of wealth will transfer to heirs and charities over the next 25 years. Women will often be the first beneficiaries of those assets in motion. Advisors who fail to engage female spouses and proactively establish a trusted relationship with them, ultimately face a higher risk of asset attrition upon the death of their male clients.

Although men advisors can certainly work with women clients as well, advisor diversity ensures that the firm offers a range of perspectives and can adequately engage a broad spectrum of investors. Clients want to work with an advisor who takes the time to listen to them and understand their needs, goals, and preferences. Shared life experiences can help advisors find that common ground with clients. To the extent that gender facilitates those shared perspectives, it can also facilitate greater trust and comfort for clients. For example, some women advisors specifically target unengaged female spouses and women in transition (e.g., divorcees, widows) as client niche segments.

To learn more about the factors driving gender and race inequity in the financial advice profession and to explore how to create change, download the full key findings of the Path to Parity report here. ■

Marina Shtyrkov is Associate Director, Intermediary with Cerulli Associates.

Learn more about research participation at cerulli.com.

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The Fed Plays a Long Game with Inflation

Inflation has jumped higher than expected—commanding headlines, worrying investors and roiling markets. What's behind the Fed's new approach?

COLUMBIA THREADNEEDLE

One reason the markets may be reacting strongly to higher inflation numbers today is the low inflation environment we've enjoyed since the turn of the century. "A number structural factors have conspired to bring inflation down across the developed market world," says Edward Al-Hussainy, Columbia Threadneedle Investments' Senior Interest Rate and Currency Analyst. "Any rise in inflation would have to push against these growing trends."

An evolving relationship between rates and inflation

Since the 2008 financial crisis, central banks have struggled to meet their inflation targets to generate enough demand. "That's a problem," says Adrian Hilton, Columbia Threadneedle Investments' Head of Global Rates and Emerging Market Debt, "because if you can't create inflation with labor markets as strong as they've been, you may never get to the point where you can raise interest rates. If you can't raise rates off these rock bottom levels, then you've got a problem when the next downturn arrives—you don't have room left to cut rates to stimulate the demand you need to energize a recovery."

The U.S. Federal Reserve has responded to this problem with a new approach called flexible average inflation targeting (FAIT). Using this method, they target an average level over time while allowing for higher levels of inflation over shorter periods to run the economy "hot." This spurs growth and takes the pressure off maintaining an overly tight monetary policy.

FAIT has some segments of the market worried, because it implies a potentially more permanently inflationary path. And if the Fed is inclined to leave its foot on the accelerator longer to speed up the recovery, it probably does mean keeping rates low for longer in the near term and a more inflationary profile further out.

"The question for investors is, can the Fed hold its nerve?" adds Hilton. "The market has recently been testing the Fed's commitment by starting to price in a slightly more aggressive pace of interest rate hikes than they had at the start of the year. And as the consumption recovery gathers steam and we start to see inflation moving higher, there's going to be more and more pressure on the Fed to cool things off."

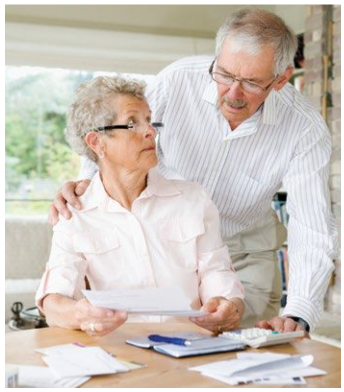
"We know that because of base effects, supply bottlenecks and a rebound in energy prices, there's going to be some price pressure," Hilton believes. "How big that is also depends the extent to which U.S. fiscal stimulus can juice demand—will consumers hold onto the money or spend it?"

For businesses, the outlook is more muddled. "Input costs for businesses are rising, probably at the fastest pace that we've seen in a decade or so," says Al-Hussainy. "The questions are, do businesses have the capacity to pass these prices onto consumers, and can they do that on a sustained basis? And to what extent does this eat into profit margins? Those answers are still unclear." ■

Learn more at columbiathreadneedle.com.

A Life Settlement Innovation That Helps Address Retirement Regrets

By Tyson Mayer
COVENTRY



Regrets and financial uncertainty. Two things you do not want to have in retirement. In the last year and a half, many retirees have begun reevaluating their priorities and considering lifestyle changes to make sure they can live their retirement without regrets. In fact, Coventry's recent Retirement Regrets survey found that 55% of retirees regretted living far from family, and 60% wished they traveled more. The second-largest concern post-retirement was not having adequate income to be able to live comfortably during retirement. Still, many retirees aren't aware of a significant asset and source of liquidity that they may already own: their life insurance policies.

For agents and advisors, now is a great time to help your clients balance their desire to maintain some life insurance coverage to benefit loved ones with their need for current retirement income and liquidity. Through these competing financial priorities, one life settlement innovation called a retained death benefit transaction has found renewed popularity.

Selling Your Life Insurance Policy While Retaining Some of the Benefit

Most people love the benefit of life insurance—they just hate paying for it! To be clear, life insurance is an excellent product that delivers value when people need it most. But just as there are numerous reasons why someone may buy life insurance, there are also reasons why, many years later, they may no longer need or can no longer afford that policy.

Selling their life insurance policy—a transaction known as a life settlement—enables your client to receive an immediate cash payout above the cash surrender value offered by their insurance carrier. Advisors and agents often find that life settlements are best suited for clients aged 65 and older who own a life insurance policy with a death benefit of at least $100,000 and who had a change in health after the policy was issued.

There is a common misconception that selling your life insurance means that you must also give up 100% of the death benefit. This is false.

When selling a client's life insurance policy, advisors can work with the life settlement provider to develop a custom structure for the client's financial circumstances. One such structure is the retained death benefit transaction, where the policyowner receives an immediate cash payment for the policy, but also retains a portion of the policy's death benefit, payable to policyowner's beneficiaries after the insured dies.

While this innovation has been available for years, it has become more popular in the last year as it provided much-needed flexibility throughout the pandemic, when families wanted to both ensure protection if they should lose their loved one during the pandemic while simultaneously accessing the value of their life insurance policy today.

We foresee this trend lasting far beyond the pandemic, as many policyowners who want to sell their policy will also want to keep some value for their estate. Additionally, the immediate cash payment provides an opportunity to supplement retirement income—especially for those who may have had to dip into retirement savings due to unforeseen expenses.

The Important Role of the Advisor

Coming out of the pandemic, seniors are keenly aware of retirement regrets and are looking for solutions from their trusted advisors to help live their best retirement. Some now have diminished retirement income due to early retirement, portfolio losses, or medical costs. If your clients are seeking increased liquidity or have a life insurance policy that is about to lapse, obtaining an appraisal of their life insurance policy from a life settlement provider is a simple way to help them understand their options, which include a retained death benefit transaction. With a strong understanding of the customizable nature of life settlements, you can work in your clients' best interest to help them navigate their retirement and live with fewer regrets. ■

Tyson Mayer is Divisional Vice President of Coventry.

Learn more at Coventry.com.

The secondary market for life insurance gives policyowners powerful options for managing their life insurance. Through transactions like **life settlements** or a **life settlement with a retained death benefit option,** you and your clients now have the tools to tap into the market value of policies that are underperforming or are simply no longer needed. The result is **new estate planning strategies that maximize value.** Settle for more.℠

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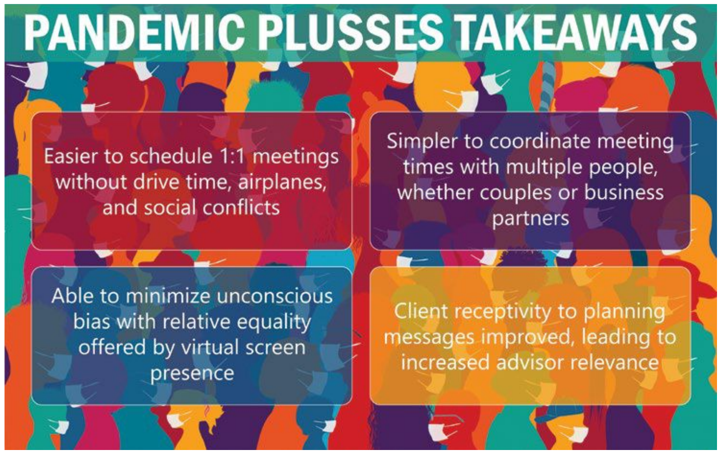

By Brian Bock
CRUMP

In an industry dominated by face-to-face meetings, we examined how top performers adapted to pandemic work and identified best practices.

Not surprising, most thrived with one foot in traditional and the other in virtual. While our findings aren't new, execution and commitment to them can guide financial professionals navigating challenging times.

Knowledge is Power – Understanding product landscapes and planning nuances is important but leading advisors focused on relationships and understanding needs. Knowing what clients are dealing with enabled advisors to keep on track.

Lean on Me – Leaders build strong foundations so when challenging times hit, more clients called them for guidance.

Everything Matters – Leaders understand insurance's value as part of comprehensive plans, and as consumer awareness grew around mortality, they were positioned for conversations about death benefits, extended care, estate planning, and market downturns. Clients tend to link financial decisions together and advisors should too; when advisors focus on investments, retirement, and taxes without overall risk management and insurance, they present a portion of the solutions.

In Tech We Trust – Strong client relationships based on the value advisors provide their clients and the clients' trust in them enables embracing technology for business improvements, efficiencies, and opportunities. Leaders didn't shy away from virtual because of what was missing but welcomed what it offers. Forrester predicts digital customer service will increase by another 40% in 2021[1] and Gartner says business customers are developing a preference for self-service, with 44% of Millennials preferring no human interaction,[2] evidence of the march toward digital.

Data Drives Decisions – Leaders recognized marketing's transformation from art to science. They tapped into analytics to identify prospects at the right time. Merrill Lynch Wealth Management President Andy Seig shared optimism at the Securities Industry and Financial Markets Association's Private Client Virtual Conference saying: "The best is yet to come" for wealth management and technology. The pandemic showed clients of all ages are willing to engage digitally. Merrill expected the industry to reach higher engagement in five years, but the pandemic accelerated that.[3]

Great advisors historically honed processes to develop client relationships—they golfed, shared events, or held seminars. At first, virtual seemed to impinge on the tried-and-true, but performers learned the client development path could be achieved virtually. Recent LIMRA research shows 98% of financial services companies' respondents say their customers increasingly want to shop online/use video engagement tools.[4] Leading advisors learned relationships could be deepened without office visits, golf balls, or glasses of wine.

Does this mean that top advisors are not going back to in-person sales activity? Au contraire! It means they will overlay benefits of virtual, while returning to best practices learned from in-person. Some may jump on this bandwagon skeptically, but financial institutions seem ready, with Raymond James converting 80 of its corporate offices into "Zoom" rooms for remote meetings.[5] According to a Forrester study and a KPMG CEO Outlook survey, nearly 75% of organizations consider a seamless customer experience a top priority supporting digital transformation.[6] This provides the incentive for keeping one foot firmly planted in each world. ■

Brian Bock is Senior Vice President, External Sales, Financial Institutions Channel for Crump.

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Inflationary Breakout or Reversion to the Mean?

By Scott Knapp
CUNA MUTUAL GROUP

Thanks to the Fed, we've all added the word "transitory" to our vocabulary. Its sudden ubiquitous presence begs the question, what's the difference between transitory and temporary? A transitory influence disappears forever whereas a temporary influence disappears with a possibility that it will return or be replaced. The difference between these definitions sets the stage for financial market conditions during the remainder of the year.

Before we look ahead, let us acknowledge that the future is utterly unknowable. That's especially true in the current post-pandemic environment because it has no precedent that we can reference when setting expectations. The best we can do is identify a range of possible scenarios and assign probabilities to them based on professional, albeit highly imperfect, judgement. It's also useful to stipulate events that will have most impact during the remainder of the year are likely invisible to us today.

With that said, we believe three scenarios will be possible influences, whether transitory or temporary, on financial markets during the remainder of the year:

Reversion to the Mean – This is our base case which, by definition, is the scenario we believe is most likely to occur. Here, the global economy experiences a burst of above-trend growth attributable to rollout of effective vaccines and lift provided by fiscal and monetary stimulus. Base effects make economic data look extremely hot, but they just reflect an economy that is quickly getting back on track rather than experiencing sustainable above-trend growth. Inflation emerges, but it is transitory because the well-documented disinflationary forces that have put a lid on inflation and interest rates for decades are still very much intact.

The probability we assign to our base case is high and stable. It's also a great setting for parts of the market that remain reasonably valued as we enter the second half of the year.

Roaring '20s Followed by the Stagnant '30s – Here, too much stimulus is applied to an already strong economy. Supply lines also stay clogged longer than expected, and there is an explosive release of pent-up consumer demand. Unexpected inflation becomes a negative second-derivative influence on the economy, meaning consumer and producer prices rise at an increasing pace. Inflation is anything but transitory under such conditions.

The rest of the story is easy to tell: The Fed falls behind the curve and is forced to slam on the brakes, then higher rates choke the recovery and stagnation follows. The probability we assign to this first alternative to our base case is moderate and stable despite rising vaccination rates and buckets of newly printed stimulus dollars being poured on an economy that is already growing at three times its long-term trend rate.

COVID the Sequel – Here, the pandemic reaccelerates and the economy shuts down again. In our view, this second alternative to our base case is a low-probability risk for investors.

Given all of this, the near-term outlook for financial markets looks constructive on a weighted-probability basis, although high valuations indicate modest expectations for returns are warranted. Not much drama, at least on a cyclical basis. Non-transitory paradigm shifts that were hastened by the pandemic, such as heavy reliance on "fiscatary" policy and emerging dominance of Modern Monetary Theory, look much more compelling to us because they could change the investment playbook for decades to come. ■

Scott Knapp is Chief Market Strategist with CUNA Mutual Group.

Learn more at cunamutual.com.

CUNA MUTUAL GROUP

Three Trends to Shape 2021 and Beyond

Wealth Management.com
2021 Industry Awards
Finalist

By David DeVoe
DEVOE & COMPANY

As Albert Einstein once said, "In the midst of crisis, lies great opportunity." The same holds true as RIAs emerge from the clouds cast by the global pandemic. Covid set off three major trends that will reverberate through 2021. Understanding these trends will better position RIAs to weather near-term challenges and capitalize on an unusual period of growth.

Trend 1: Happy clients make (lots) of referrals

Covid proved once again that the RIA model shines in a crisis. And RIAs will soon be benefactors of a post-Covid organic growth surge, with referrals rising from happy clients.

Advisors worked around the clock to take care of their clients in 2020. Portfolios were rebalanced, entire financial plans recast, and guidance delivered. RIA clients were well cared for during the crisis and are telling their friends and family. The industry will now likely experience a surge of new growth as client referrals go into overdrive.

RIAs that shift their energy toward streamlining prospect support activities will likely benefit during this strong organic growth period.

Trend 2: Divergence in RIA business performance

The logistical challenges of Covid profoundly affected the day-to-day activities of RIAs. While many firms were able to respond quickly and even lead their firms to new peaks of performance, others struggled with the new remote model. And the cumulative challenges and effectiveness of responses have created either *virtuous* or *vicious* cycles for RIAs.

DeVoe & Company's soon-to-be-released industry survey shows that employee engagement and culture suffered through Covid. Now, as companies shift back to the office or hybrid work models, engagement and culture will be strained once again.

The industry will experience a divergence in performance among otherwise comparable firms. RIAs that were and are able to respond effectively to the ongoing challenges will become the future leaders of their peer group—or even move to new peer groups.

Trend 3: Growing through acquisition

An anticipated surge in M&A later this year could be a unique inorganic growth opportunity for many RIAs. The consolidators have done such a great job of broadcasting their story that the concept of an 'RIA buyer' has interest in the marketplace.

The implications of Covid are still indirectly driving M&A. RIA owners (old and young) were forced to reflect on their own mortality and are (finally) developing succession plans. In many cases, an external sale will emerge as the ideal option. The pandemic also brought new awareness to the importance of scale for providing insulation to better weather times of crisis and to support organic growth. These trends will continue to drive sellers to market.

There is an opportunity for regular RIAs to acquire. The story—"We are like you, but just a bit bigger"—can be unique in a marketplace filled with $10B to $100B+ serial acquirers. The industry will require more buyers—perhaps your firm should be one of them.

Conclusion

The Covid struggle is not yet complete. Advisors that heed Einstein's words during the upcoming final stages of the Covid aftermath will emerge stronger. Engaging with *challenges* as *opportunities* will position firms to capitalize on an unusual period of extreme organic and inorganic growth opportunities. And potentially transform their firms in the process. ■

David DeVoe is Founder and Chief Executive Officer of DeVoe & Company, a leading consulting firm and investment bank serving RIAs. He has been a sought-after thought leader on RIA M&A for 18 years.

Learn more at www.devoeandcompany.com.

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On the Tricky Timing of Turning to TIPS

By Gregory Whiteley
DOUBLELINE CAPITAL

For those lured by past returns as a promising prologue for the future, TIPS might tempt. However, I believe the time is at hand to limit or even reduce allocations to Treasury Inflation-Protected Securities. This opinion is based on pricing in U.S. Treasuries and the outlook for economic growth and inflation. I'll share those forward-looking views after reviewing the alluring image that TIPS have cast in the rear-view mirror.

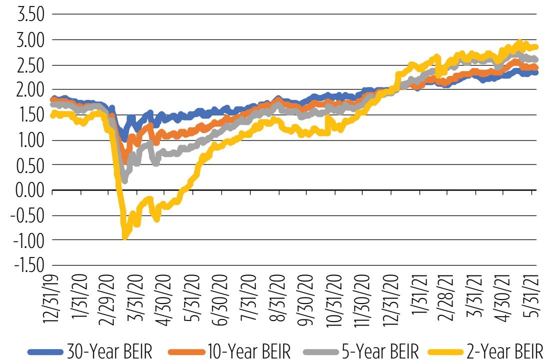
TIPS have been stellar performers over the past 14 months. Market-based inflation expectations are measured by the so-called breakeven inflation rate: the difference in yield between TIPS and conventional (nominal) Treasuries of the same maturity. Breakeven rates reached their lows in March 2020 when the extent of the pandemic-driven drop in global economic activity became evident. They recovered rapidly through August 2020 as the economic recovery came to look nearly as sharp as the preceding downturn.

By December, breakevens exceeded pre-pandemic levels. They have climbed further since then, albeit at a slower pace. The steady rise in inflation expectations drove the Bloomberg Barclays US TIPS Index to a return of 17.38% for the period from March 18, 2020, through the end of May 2021, dwarfing the 0.47% return for the Bloomberg Barclays US Treasury Index. The U.S. Government Securities team at DoubleLine doubts this stunning relative performance can persist.

For the time being, the U.S. is experiencing a sharp uptick in inflation. The year-over-year change in the headline Consumer Price Index (CPI) has surged to 5.0% in May from 4.2% in April, 2.6% in March and just 1.7% in February. This has been entirely expected. While pandemic-related unemployment has been a hardship for many, aggregate income has actually risen through the crisis—due largely to government transfer payments. This income has fueled domestic demand for goods at the same time COVID-19 has forced producers to shed employees and cut production. Supply chains have been disrupted, production bottlenecks have emerged, raw materials have become scarce—and so prices have risen. Many services have been unavailable, channeling demand into goods.

But the same demand that has pushed goods prices higher will inevitably elicit a supply response. Supply chains will be repaired, the 15 million people currently receiving some form of jobless assistance will gradually return to work, and supply and demand will come into better balance. DoubleLine's internal inflation forecast calls for inflation to peak with the May data and then gently decline to about 2.5% over the next 12 months. The consensus of economists polled by Bloomberg forecasts headline CPI rising to 3.4% in 2021, but then falling to an average of 2.5% in 2022 and 2.2% in 2023.

Treasury Inflation-Protected Securities (TIPS) Breakeven Inflation Rates



Source: DoubleLine, Bloomberg Financial

Market-based inflation forecasts are similar. Breakevens show the market expects inflation to average 2.7% over the next two years, 2.5% over the next five years and 2.4% over the next 10 years. These expectations conform with the view of Federal Reserve Chair Jerome H. Powell. He expects inflation to rise in the near term as the economy recovers, but that rise will be transitory, with the Core Personal Consumption Expenditures Price Index settling into the Fed's longer-term target of 2%.

In my view, TIPS have priced in the consensus outlook for growth and inflation. Admittedly, today's confluence of fiscal stimulus, monetary accommodation and economic reopening could produce upside inflation surprises. And the consensus might prove wrong. (As an active manager, I form independent views—sometimes apart from consensus, sometimes in line—while standing watch on a changing world.) With those caveats, I believe that TIPS' past outperformance is indeed a thing of the past. ■

Gregory Whiteley is a Portfolio Manager on the U.S. government securities team at DoubleLine Capital.

An Overlooked Benefit of Annuities—Tax Planning

WealthManagement.com 2021 Industry Awards Finalist

By David Lau and Rob Saag
DPL FINANCIAL PARTNERS

Rumblings from Washington about potential changes to the tax code have prompted renewed investor focus on tax efficiency. While a growing number of advisors are talking to clients about the benefits of annuities—especially newer commission-free products—as a wealth accumulation and retirement income tool, many still write them off (tax pun intended!) in the context of tax planning because of their "last-in, first-out" treatment. However, annuities can be beneficial in tax planning, particularly as they provide virtually unlimited tax deferral.

Tax-efficient product solutions include low-cost variable and fixed index annuities, particularly those offering exclusion ratio provisions on withdrawals to meet retirement income needs, and variable annuities with non-qualified stretch provisions for legacy planning.

Tax-efficient Income—The Golden Ratio

On the front end, variable and fixed index annuities are a CPA's best friend. They can provide tax-deferred growth with low product and investment costs. Due to the compounding benefits of tax-deferral, assets grow at a greater rate since the tax-drag on performance is eliminated during accumulation.

Comparison Table

Method	Annuitization	Systematic Withdrawls	Living Benefit
Lifetime Income	Yes	No	Yes
Tax Efficient	Yes	No	Yes
Client Control	No	Yes	Some
Associated Cost	No	No	Yes

To best utilize these products for tax deferred accumulation, invest in tax-inefficient asset classes, such as fixed income, and funds with high turnover rates, such as small cap equities.

Investors can also consider additional tax mitigation steps when taking income. Compare the various mechanisms:

- **Annuitization** creates a lifetime guaranteed income stream while providing an exclusion ratio on income distributions until the account value is exhausted; after that, payments are treated as ordinary income. **PROS:** Guaranteed lifetime income, tax-efficient; **CONS:** Very limited flexibility in income amounts.
- **Systematic withdrawals** without annuitization keep accumulated cash value intact while allowing for control over distributions. Assets remain invested, allowing for growth potential during withdrawals. Withdrawals are taxable until cost basis is reached. **PROS:** Control of assets, can remain invested while taking withdrawals; **CONS:** Can be tax-inefficient depending on how assets were invested.

- Certain products offer optional **living benefits** that, when used for income-generation, provide an exclusion ratio on withdrawals. This allows income to be distributed as part-gain, part-cost basis, requiring less money to be withdrawn to meet income needs on an after-tax basis. **PROS:** Maximizes income per dollar, client retains access to cash value in the event of an emergency, and continues generating lifetime income once the cash value is depleted; **CONS:** Income needs to be withdrawn over a pre-set period.

Stretching Can Mitigate Legacy Tax

Taxes on non-qualified assets can erode a legacy. Fortunately, variable annuities provide a provision to help mitigate taxes on inherited assets—the non-qualified stretch.

Inheriting annuity assets can mean a large tax burden because, unlike other taxable assets, annuities receive no step-up in basis. However, the non-qualified stretch allows beneficiaries to spread the tax liability of unrealized gains over their lifetime, versus realizing them the year the annuity was inherited. Many variable annuities offer a non-qualified stretch provision to help maximize client legacies, and some also offer a non-qualified restricted stretch that enables clients to require the stretch and specific conditions of taking the stretch for the beneficiary.

Tax Duty

Increasingly advisors are coming to realize their fiduciary duty to learn about annuities and their role in retirement planning. That includes understanding how to optimize tax treatment both during accumulation and when taking income. ■

David Lau is founder & CEO and Rob Saag is Director of Product Marketing at DPL Financial Partners.

Learn more at www.dplfp.com.

dpl

Investing in Clean Energy Infrastructure

By Connie Luecke, CFA and Steven Wittwer, CFA
DUFF & PHELPS INVESTMENT MANAGEMENT

With mounting concerns about global energy consumption, emissions, and climate change, numerous countries, regions, and major corporations have set carbon-neutral goals that advance a secular shift toward increased clean energy production and consumption—all of which spells considerable investment opportunity.

Clean energy currently represents less than 10% of global electricity consumption, and is projected to more than triple to at least one-third of global consumption by 2035.[1] Strong growth in the clean energy sector is being fueled by decreasing cost curves, increasing consumer demand, and wide-ranging political backing, including sweeping new policies across the globe.

With respect to international governmental policy, the European Union, China, and the United States have all made aligning commitments to carbon neutrality within the last three years that will require accelerated transitions to clean energy. In 2019, the executive branch of the EU announced the European Green Deal, with a target of net-zero carbon emissions in the EU by 2050. In 2020, China pledged to reach net-zero carbon emissions by 2060.

And in 2021, a new administration in the United States has set goals and issued executive orders targeting a "clean energy revolution that achieves a carbon pollution-free power sector by 2035" and "a net-zero economy by 2050." Electric vehicle promotion is also expected to receive support, including deployment of a network of electric vehicle chargers and tax incentives for electric vehicles.

Meantime, hundreds of global firms, including Fortune 1000 companies like Apple, Google, and Walmart, have committed, through RE100—a corporate energy renewable energy initiative founded in 2014—to sourcing 100% renewable energy.

For their part, U.S. utilities are rapidly moving forward to meet ambitious clean energy targets outlined by the individual states in which they operate. State regulators are keen to balance these targets with the desire to keep energy affordable (with rate increases generally at or below the rate of inflation). In addition, winter storm Uri, which wreaked havoc across Texas and other parts of the Southwest in February, recently highlighted that, as renewables become a larger component of

the generation mix, there is a greater need to plan, and pay, for system capacity and long-term storage.

Plans to promote green energy have been underway for some time in the EU with the Green Deal being one of the most ambitious de-carbonization plan we have seen globally. To achieve the EU's Green Deal targets, power generation will have to rely heavily on new wind and solar sources. The EU is also formalizing plans for green hydrogen, offshore wind, and various other programs. Transportation, manufacturing and real estate (heating) will need to undergo a major electrification process to meet the EU targets.

We believe that the direction of policy announcements to date will lead to incremental investment opportunities by the companies, supporting their long-term earnings and dividend growth outlooks. By owning a portfolio of the best positioned infrastructure companies that are leaders in clean and sustainable energy, investors have the potential to seek an attractive total return through capital appreciation and current yield, while capitalizing on the ongoing secular trend of ESG investment. ■

Connie Luecke, CFA and Steven Wittwer, CFA are senior managing directors on the global infrastructure team of Duff & Phelps Investment Management Co. as well as senior portfolio managers for the firm's global listed infrastructure strategy.

Learn more at www.virtus.com.

1. Source: Vestas, November 2018, Market Outlook and Strategy Update

Mid-year Outlook: Costs, Margins, Labor Are Key

EAGLE ASSET MANAGEMENT

What follows is a series of questions answered by the Eagle Asset Management Small and SMID Cap Strategy Team

What are the major issues or trends you think investors should watch most closely for the rest of 2021 and why?

We have our eye on several things. One is margin and cash flow trends as we move through the rest of the year. On the cost front there are some material cost headwinds: inflationary fears, the high prices of certain commodities, supply chain issues. Labor cost increases seem very likely in the current climate. Businesses also have all manner of COVID-related costs as they reopen. We wonder how investors have anticipated those potential margin issues. On the cash flow front: Corporate cash flows have looked exceptionally good in the U.S., but recall that capital spending has been curtailed due to COVID. We had a global economic slowdown and many companies were harvesting working capital during COVID, which boosted free cash flow numbers. We need to be cognizant of the fact that there might be some pressure on margins and cash flows.

Everyone in the investment community is talking and thinking about inflation and interest rates. We want to take a step back and think about what factors are driving that dynamic. There have been supply chain issues with semi-conductors and materials. We think that is largely transitory, but the bigger impact is the labor shortages we believe will happen. There's a serious issue going on today around labor. That issue might ultimately manifest itself through inflation or margin pressure—and likely a little bit of both. It's a little bit uncertain and it's a little bit driven by policies. From our investment perspective, we try not to take the bet on whether these things will result in higher inflation or not, or higher interest rates over the long term. We want to think about which companies are able to have better relationships with their employees, and already have capacity to manage an evolving environment. There is pent-up demand after the pandemic, and consumer balance sheets are strong, but there are potential headwinds like rising gas prices and the phasing out of stimulus.

Do you think the pandemic will engender lasting changes—behavioral or strategic—for companies, investors, or consumers?

The pandemic has led to a general re-evaluation of what's important in life. In the short term this could manifest perhaps as increasing focus on environmental, social, and governance (ESG) investing or employee relations. There are a lot of employees who are questioning what's important and wanting to work for organizations that offer meaningful opportunities. We're going to see divergence between companies that really can execute, that have invested in their people, invested in their capacity to grow and perform well. People are focused on factors like growth or value, when they should be asking "Is this company doing something of value and treating its employees right?"

Read Carillon Tower Advisers' mid-year outlook here. ■

Eagle Asset Management is an affiliate of Carillon Tower Advisers, a global asset management company. The Small and SMID Cap Strategy Team is based in Vermont.

Learn more at www.eagleasset.com.

The Rush to Independence

Why the Number of Advisor Transitions to Private Practice Will Continue to Grow

Wealth Management.com
2021 Industry Awards
Finalist

By Frank LaRosa
ELITE CONSULTING PARTNERS

The last several years have seen advisors transitioning from the wirehouse space to independence in droves and there is no indication that this trend will cease anytime soon. In fact, it is foreseeable that the numbers of advisors deciding to chart their own entrepreneurial course and move into private practice will accelerate and surpass the record migration to independence we have already experienced in the financial services industry.

A number of factors come into play when analyzing the reasons advisors are finding independence such an attractive and viable option for their practices, not the least of which is financial. An advisor who chooses to transition to the independent model over a captive W-2 environment has the ability to net upwards of two times more personal wealth accumulation over a 10-year period, which is a direct function of the long-term revenue potential of independence versus the one-time upfront transition deal payout that occurs in W-2 scenarios.

The financial upside of independence has also been bolstered by the actions of the wirehouse firms themselves, which have in the best of circumstances caused confusion among their own advisors and in the worst resulted in feelings of resentment and downright anger within their teams. Significant wirehouse organizational changes which have played out in the media include compensation grid restructuring, bonus eliminations, management reorganization, and constrictive succession program recalibrations.

In theory, these measures have been taken by the wirehouses to stymie the flow of advisors out their doors and to create a more optimally functioning organization. In practice, they have had the counter effect and shown a dated level of C-suite, profit first and personnel last thinking that has only served to enhance the attractiveness of the independent model for the best and brightest among advisors.

In contrast, the strategic direction of firms within the independent space have enhanced the viability of private practice for an even greater number of advisors with what can best be described as a spectrum of independent options, allowing advisors to choose an independent model best suited to their personal work style and practice needs. From full-independence, to hybrid and supported advisory structures—firms within the independent space have made it a priority to create business services and solutions that address

a wide-range of advisor and practice needs in order to make independence an option for all.

As the months ahead hold the potential for even greater numbers of advisor transitions to independence it will be important to watch how the industry responds to the practicalities of making the transitions themselves more efficient. From office set-up, to technology, managed marketing, payroll and human resources, and other business support services—it will be those firms that outsource or capitalize on internal resources to most efficiently manage these processes who will rule the day and drive revenue to their bottom line faster.

There has never been a better time for advisors to consider their transition opportunities and it can be assured that—whether they are talking openly about it or not—many advisors are certainly thinking in that direction. The opportunities which exist in the independent space are tremendous and hold a level of potential yet to be fully realized by the industry. It will be interesting to see the developments and the impacts unfold. ■

Frank LaRosa is CEO of Elite Consulting Partners.

Learn more at www.eliteconsultingpartners.com.

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Understanding Your Needs and Delivering Results

Broker-dealers Want Reps on Platform, but Reps Say "Not so Fast."

By Kelly Lynch
ENVISION FINANCIAL SYSTEMS

The practical challenges for broker-dealer firms and their advisors to service their mutual fund customers and the best way to do so are becoming clearer.

Broker-dealer firms are seeking to put all accounts "on platform" because accounts held directly with fund families are difficult for BDs to monitor for investment suitability and other compliance factors. They also create headaches in back-office processing.

Brokerage is the historic alternative, but advisors struggle moving away from the direct model because it can seriously upset their business building approach while introducing two things they don't like: unnecessary client cost and complexity.

So how is this contention resolved? How do BDs achieve their goal of consolidating client accounts "on platform" and help their advisors attract and retain clients? We suggest rethinking the traditional definition of "on platform" a little more broadly and focusing on using the right tool for the job.

Revolting reps

I've spoken with BDs dealing with what they've called a "revolt" among their reps when faced with a requirement to migrate accounts to brokerage.

BDs have found that only the most heavy-handed measures—including taking matters to DEFCON 1 by not paying reps for off-brokerage accounts—will force reps to make these moves. Barring policies like that—and their negatives for rep retention—what typically happens is reps "work around" the platform.

This raises a question: If reps are working around a so-called universal platform, is it still universal?

Emulating reps' direct experience

It's possible for BDs to emulate the direct fund investing servicing by bringing mutual fund accounts "home" without the aspects of traditional brokerage that advisors can't stand.

Nontraditional solutions that consolidate a single BD's client fund positions under single accounts and traditional client brokerage accounts likely have a place within a book of business. We are seeing that a nontraditional solution for mutual funds—one that addresses concerns across the home office, reps and investors—can (and probably should) coexist within a firm's "on platform" strategy.

And no decision needs to be "all-or-nothing." Starting down the conventional brokerage platform path doesn't mean it's the right path for all of your reps and customers.

If reps are working around a so-called universal platform, is it still universal?

Benefits beyond the front office

I have heard BDs emphasize "we're going to stay on platform" even while describing serious strains in their business models, including issues of rep retention and client satisfaction. The BD business leaders know they absolutely must solve compliance, transparency, operational and technology problems created by direct-at-fund accounts. And having decided to "go to brokerage," they think—totally understandably—that it's too difficult to change or adjust the direction.

Firms benefit when they act in the best interest of their reps and customers. That may mean pausing, assessing your clients' needs and moving their accounts off the traditional brokerage platform and onto a purpose-focused mutual fund platform when it's appropriate. One such platform is FundKeeper. It consolidates mutual fund positions and retains the benefits of direct.

In practice, firms gain an advantage when they broaden their sense of "platform" by taking a complementary approach. ■

Kelly Lynch is Senior VP for Envision Financial Systems.

Learn more at www.enfs.com.

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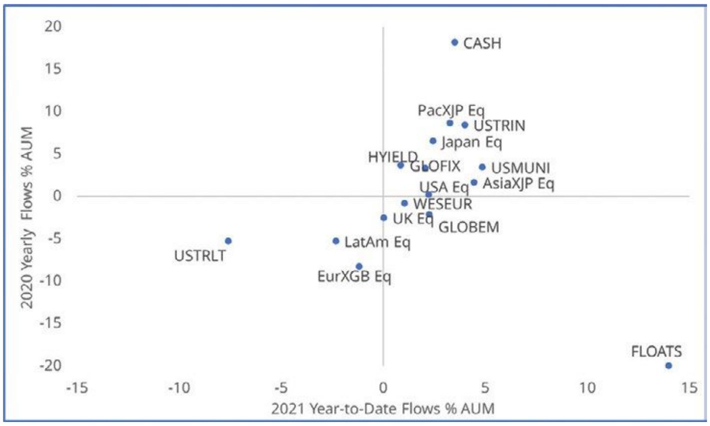
Envision Financial Systems and Quasar Distributors, LLC together offer FundKeeper.

Quasar Distributors, LLC, Member FINRA, SIPC. To check the background of this firm, visit BrokerCheck by FINRA

The Stars of 2021's Second Half: ESG, Diversification, European Reflation and Mexico Equity Funds

By Cameron Brandt
EPFR



During the first half of 2021 investors have been asked to choose between a range of often conflicting market narratives. Which one to believe? The developed markets reflation/transitory inflation story? An increasingly green future? A fairytale financial universe populated by cryptocurrencies and meme stocks? A gothic novel featuring higher taxes, rising prices and growing state intervention?

Faced with these choices, investors have stuck through much of 1H21 to the convictions they nursed into the New Year. They bought exposure to global and US growth, took out insurance against higher inflation, greened their portfolios and kept significant amounts of cash on hand. By some measures, their choices showed remarkably little deviation from those made in 2020: funds that attracted money last year continued to do so during the first six months of 2021.

Nowhere has this reluctance to change tack proven more evident than in the fortunes of EPFR-tracked Bond Funds. Although inflation data, unprecedented levels of public borrowing and spending and rock bottom interest rates in many markets continue to raise questions about the current balance between risk and reward, fixed income investors keep piling into these funds. Overall, they have committed over $1.1 trillion since the beginning of 2Q20 to this group which has recorded inflows every week but one year-to-date and 61 of the past 64 weeks.

Against this backdrop, what will stand out during the second half of 2021?

Diversification will be the dominant investment theme. Investors are flocking to multi asset fund groups, with Total Return Funds carrying a 36-week, $36 billion inflow streak into the penultimate week of Q2 while Balanced Funds extended their longest run of inflows since mid-2017. Global Equity Funds rank second year-to-date in terms of attracting fresh money, and quantitative analysis show investor rotation between asset classes at its highest level since 2018.

As the European reflation story gathers momentum, funds dedicated to PIIGS (Portugal, Italy, Ireland, Greece and Spain) markets will trump UK Equity Funds. This post-financial crisis group of hard-hit markets are benefiting from the European Central Bank's ultra-accommodative monetary policy and, in the case of Italy and Spain, ambitious stimulus plans. UK Equity Funds, meanwhile, are suffering from the perception that any advantages the UK might have gained from out-vaccinating its continental peers have been lost to official caution.

Equity and Bond Funds with socially responsible (SRI) or environmental, social and governance (ESG) mandates continue to enjoy strong, consistent inflows. But those flows will not be as smooth or consistent during the second half of 2021 as regulators declare war on "greenwashing," technology stocks remain under pressure, supply bottlenecks complicate clean energy rollouts and valuations in the most credible ESG assets become stretched.

Mexico Equity Funds are emerging as an unlikely star among Emerging Markets Country Funds. In early June, flows to this group hit their highest level since mid-4Q20 after voters denied populist President Andrés Manuel López Obrador the legislative 'super majority' needed to change the constitution. Rising oil prices, remittance flows from and exports to a booming US, the prospect of more supply chains being relocated from China and expectations of 6% plus economic growth will shine further light on Latin America's second largest economy. ■

Cameron Brandt is the Director of Research at EPFR, a fund flow and asset allocation data provider for financial institutions.

Learn more at EPFR.

Three 2021 Market Trends That Support Independent Advisors

By Sean Gultig and Mark Avers
EQUITY ADVISOR SOLUTIONS

Independent advisors rely on their custodian to deliver a client experience effectively and efficiently. Currently, mergers and acquisitions among big-box custodians have led to limitations and higher minimums for independent advisors. If you're an independent advisor, or thinking about breaking free, you might feel like your freedom of choice is narrowing. But take another look.

A new generation of flexible custodians offers an appealing combination of new technology and advisor support. For many independent advisors, now is the time for an alternative to the big-box custodian. These alternatives, along with three market trends, will help advisors succeed in 2021.

3 Ongoing Market Trends That Will Help Financial Advisors in 2021 and Beyond

Industry-wide Innovation Continues to Provide Choice for Advisors—The market landscape continues to evolve and this year it's all about cryptocurrency, a new breed of ETFs and a continued interest in alternative assets.

Cryptocurrency has made a big name for itself this year, and advisors are taking notice. Custodians are responding to advisors' requests to trade and custody the asset class. In addition, the ETF space continues to innovate with a few traditional institutional funds converting to an ETF structure. These institutional funds were only available to select advisors, but now the ETFs are just a click away at any custodian. Don't expect a major trend in the short run because the process is not a fit for all funds. As has been the case for the past few years, alternative investments like private equity and debt continue to gain favor among advisor's clients.

As more asset types become available to advisors and their clients, so does the need for a custodian who can custody all assets on one custodial platform.

Custodian Consolidation—As big-box custodian consolidation progresses, advisors at these firms are facing increasingly limited options. The flexibility to custody across multiple firms is decreasing. However, more nimble custodians are establishing a foothold in the space with more focused custom solutions. Smaller or newly established RIA firms have more affordable choices than ever. Choices are not just rooted in stripped down custody services but loaded with powerful

front-end technology and rich integrations provided by this new generation of custodians. Technology is fueling advisor business growth and making smaller or startup advisory firms possible and profitable.

Changes in Client Expectations—Deepening client relationships as their lives and expectations change is what drives advisors to succeed. These relationships are the beating heart of an advisor's business. Advisors should not have to compromise or put those connections at risk to work with a custodian. As big-box custodians pull back on their support and compete with the advisors they serve, a new generation of custodians is applying its industry and entrepreneurial expertise to meet advisors' evolving needs.

We've made it through a lot in the last year and a half. We've learned to become more flexible, pivot our ways of thinking to meet our clients' evolving expectations, and innovate. Choosing the right custodian can put you in a strong position to meet tomorrow's unknown challenges. ■

Sean Gultig is President and CEO and Mark Avers is VP of Business Development at Equity Advisor Solutions.

Learn more at www.equityadvisorsolutions.com.

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Understanding Today's Media Landscape to Increase Brand Visibility

WealthManagement.com 2021 Industry Awards Finalist

By Kate Rambo
FICOMM PARTNERS

Brand visibility and credibility are critical to firms' success in our industry. Leveraging the media remains a valuable tool for wealth management and financial advisory firms but working with the media is changing at a rapid pace, leaving many frustrated and confused about how to pivot.

For decades, the media landscape has been reshaped by a multitude of factors. The transition from print to online created a 24/7 news demand that drove readership and engagement, but adversely affected revenue as news consumers migrated from paid print to free internet access.

As the access to news became easier than ever, the demand for different types of news content—ranging from infographics to videos—also had a significant impact not just on news consumption, but reporters' bandwidth and mindshare to cover stories.

And as newsrooms cut back on staff to account for their loss of income, the remaining reporters found themselves responsible for doing multiple jobs at a time—but with fewer colleagues and resources. By 2019, the struggle for newsrooms was all too real as reporters were trying to cover twice the news with half the resources.

And then COVID happened.

Broadcasts are happening from living rooms, bedrooms, and even closets. With the cancellation of in-person conferences and award celebrations—a major revenue source for many publications—newsrooms had to cut staff, accelerating their existing resource challenges.

But wealth management firms still have news to share, and the news media is still one of the most influential third-party validators of brands. So as newsrooms continue to shrink, it is even more critical to be sure your news stands out. But it begs the question: why should an already overwhelmed reporter make time to learn about you, your business, and your story?

It comes down to something we always talk to our clients about: the media needs to be inspired to cover your unique insights. To truly gain a competitive edge, your perspective needs to be something that no one else is talking about while still being timely and relevant to the audience—and raising consideration for your business.

Take the consolidation that is taking place across the industry, for instance. Everyone knows it is happening—but what unique opinion can you offer? What can you say that no

one else is saying? And what makes you individually qualified to speak on the issue? Sharing anecdotes reflecting on your personal or business experience will help you generate interest and attention—not just from the reporter, but also their audience.

It's also important to consider how you can help the reporter with what they're trying to accomplish. While your goal is likely coverage about your business, a reporter's goal is to write a story that will have broad appeal to their audience, and potentially even solves a problem. Thinking about how you can provide them with unique industry insights goes a long way towards building trust and establishing a relationship—even if it doesn't immediately result in coverage.

Understanding the challenges of the newsroom is critical to building your brand with meaningful media exposure. It takes time, but it's an investment that pays dividends. ■

Kate Rambo is EVP of Communications at FiComm Partners.

Learn more at www.ficommpartners.com.

How Advisors Can Better Serve Their Female Clients

By Angela Vlach
FINANCIAL ADVOCATES

American society has come a long way to improve the financial status and outlook of women over the past 100+ years, yet there is still work to be done for women to achieve the same level of financial opportunity afforded to men. As a female leader within the financial industry, it is easy for me to recognize the financial service gaps existing between men and women are noticeably evident.

An increasing number of young women are taking charge of their financial lives and, as a result, expect more from their advisory relationships. Below are some of the tactics financial advisors can leverage in order to better empower their female clients.

Build Better Relationships

Building a successful practice in the financial services industry is rooted in relationships—and those quality relationships should extend to clients of all genders. Advisors are under the impression that tailoring their services to women will require a significant shift in their business models. This is, of course, likely not the case. Advisors should apply the same basic principles of developing rapport, avoiding unnecessary jargon, and providing valuable resources that allow clients to make informed decisions in their interactions with female clients that they do for men; however, a female client may have a unique set of priorities to consider.

This is where the most important piece of the puzzle comes in—active listening. Too often, advisors try to categorize clients based on their preconceived assumptions of what they think their clients need. Engaging female clients is not a box to be checked off a to-do list. Advisors should engage in regular communication with their clients and keep a thumb on the pulse of their diverse and evolving needs.

Advisors, Your Bias May Be Showing

Unconscious behavior is still negatively affecting women's experiences when dealing with financial professionals. For example, eye-tracking technology showed that, when meeting with heterosexual couples, financial advisors—regardless of gender—tend to focus most of their time (~60%) on the male client. These existing and unconscious biases proactively affect the rate at which women are more likely than men to expect to encounter gender stereotypes. As a result, female clients often are forced to overcompensate by coming into meetings overly prepared and speaking up proactively to be heard.

Make Diversity, Equity and Inclusion a Priority

While recognizing existing internal biases and correcting them is a promising start to ensuring that female clients are empowered by their financial advisors, long lasting change will come from opening opportunities to women in the field. The year 2020 brought diversity and inclusion efforts into the spotlight and presented the occasion for advisory firms to fulfill their promises of prioritizing more diverse hiring in leadership roles for women and particularly those who identify as women of color.

Women are slated to control about $30 trillion of assets by 2030, roughly a $20 trillion increase from 2016, according to 2020 projections from McKinsey. As advisors, we owe all of our clients enough decency and respect to build their trust enough to handle their financial well beings. I am confident that this shift to creating a more female friendly environment is happening in the financial services industry and call on my peers to continue contributing to this progressive momentum. ■

Angela Vlach is President and CEO of Financial Advocates.

AI Use Cases, Today and Tomorrow: Automation for Aggregation

Wealth Management.com 2021 Industry Awards Finalist

By Bennet Hickok
FIRST RATE

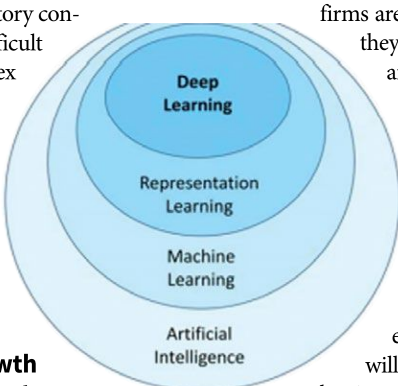
In wealth management, the reliance on data has increased exponentially in the last five years. Advisors use more data to inform their client conversations than ever before. Advisors need the information to provide sound advice to their clients, which requires aggregating data from a multitude of sources. To date, much of advisory firms' data aggregation has involved undertaking tedious manual processes. Manual operations are notoriously tedious, error-prone, and expensive. As firms look to grow in this reality, artificial intelligence (AI) is a powerful tool. AI, which includes technologies such as machine learning (ML) and natural language process/generation, brings advisors solutions to their challenges concerning error reduction and growth.

Who Uses AI for Aggregation and Why?

Advisors who serve Ultra High Net Worth (UHNW) and institutional clients are often the first to take on a digital transformation. Their clients are the most likely to hold assets with various custodians, which makes it hard to see the total wealth picture. Manual aggregation of their assets is both error-prone and time consuming. Homegrown solutions face significant compliance exposure, and there are regulatory concerns as well. Manual operations are difficult to scale, they are unable to process complex statements, and they are often inconsistent.

Accounts that AI could be a good fit for:

- SMA, UMA, Brokerage accounts
- DC and DB Plans
- 529 Plans
- Alternative Investments



How AI Helps Advisors Improve Client Experience and Realize Growth

With the help of AI-driven automation, advisors can refocus their resources and attention on value-adding tasks such as client experience relationship building and prospecting new clients for future growth.

Intelligent automation means they can finally scale a number of critical functions, including:

- Classifying and extracting data from various documents
- Performing automated reconciliation
- Employing a range of automated quality checks

With better views of clients' total wealth picture and analyses of their structured and unstructured data, advisors can create better investment strategies for their clients and offer clients more accurate and informative reporting.

With the reduction in manual tasks comes a significant improvement in accuracy and efficiency. This gives firms more opportunities to scale by allowing time for advisors to focus on their clients.

Streamline Vs Enhancing Data Processing

The proliferation of AI technology has created a curse of efficiency wherein knowledge workers become busier as they get more efficient. While many of them expected that outsourcing banal tasks to machines would free up time for more value-additive activities, instead it has left them with twice as many clients to support. This trend has led to an increased number of people surrounded by data with no unifying story, insights, or understanding.

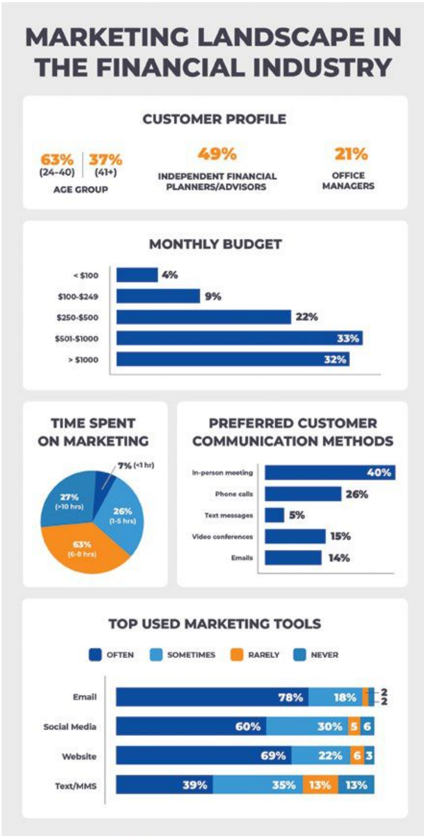
It is important that firms seek to aggregate data with an eye to enhance and not just streamline. This requires a deep understanding of the technology as well as the industry. If firms are looking to build these processes in house, they should work to hire teams that are balanced between technologists and industry experts. If they are looking to partner with other firms to build these processes, they should seek vendors with a strong history of serving in their industry. It is important to find vendors that don't lean too heavily on human capital or on technology. A healthy balance of technology and the human element is a crucial part of elevating data to new levels. In the end, AI will make humans better, faster, and smarter but it won't replace the humans themselves. ■

Bennet Hickok is Solutions Consultant at First Rate, Inc.

Learn more at www.FirstRate.com.

FIRST RATE

Growing Your Advisory Business When Times are Changing



WealthManagement.com 2021 Industry Awards Finalist

By Samantha Russell
FMG SUITE

The world is beginning to emerge from quarantine, and many financial professionals are re-evaluating their growth strategies. They wish to regain lost ground from 2020 and secure themselves against unforeseeable future events. They are looking for the best course of action to weather future changes.

In the evolving era of, "the new normal," how can you ensure that your business prospers? The answer is simple:

You must turn your online presence into an online community.

Seem like a tall order? It's not as hard as you might think.

In fact, insights from a recent survey commissioned by FMG Suite among decision makers in the finance industry confirmed that marketing is a competitive advantage to attracting new customers, increasing customer retention, and growing AUM.

Let's take a look at what's working:

1. Social media thought leadership

The SEC's recent ad rule change has made it easier for financial service professionals to represent themselves on social media. It is easier now than ever to reach your target audience online and to establish your expertise by posting quality content and thoughtfully engaging.

The large majority, 68% of financial professionals, responded they use social media to build their brand. Fifty-one percent use it to prospect for new clients while 48% marked they use social media to acquire new clients.

2. Combining live and virtual events

There is a renewed excitement for live events as quarantine restrictions loosen across the country. It's clear that the future will include both live, online, and hybrid events. Don't ignore the digital aspect of a marketing event simply because it takes place in the real world. You can turn any event into a powerful lead generation tool.

Despite the Covid-19 pandemic, in-person meetings (40%) were noted in our survey as the top channel of choice for 1:1 customer communication, with phone calls (26%), videoconferences (15%) and emails (13%) covering the rest.

3. All-in-one marketing solutions

Strengthening relationships at an event or on social media is great, for that moment. But often, prospects don't need your services at that moment. In order to stay top of mind, throughout the entire customer lifecycle using an automated all-in-one marketing solution has proven to be an important key to success for advisory businesses.

An overwhelming majority (77%) of respondents noted that having their marketing solution be an all-in-one solution for website, email, and social media marketing is very important while nearly all (94%) say that having their marketing include relevant, timely, educational content to share with clients is at least somewhat important to them.

With one in two respondents believing that marketing has increased their revenue by more than 25% and one in four believing it has increased it by more than 50%, don't be passive. Take action today! Start by turning your marketing targets into an online audience. By leveraging automated software to magnify your efforts for improving your audience today, you will reap huge rewards in the future. ■

Samantha Russell is Chief Evangelist of FMG Suite, a SaaS company specializing in marketing software and services for financial advisors and insurance agents.

Learn more at fmgsuite.com.

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FMG SUITE'S NEW LEAD GENERATION TOOLS ARE CHANGING THE GAME

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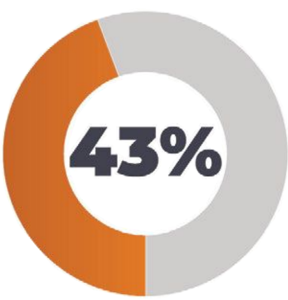
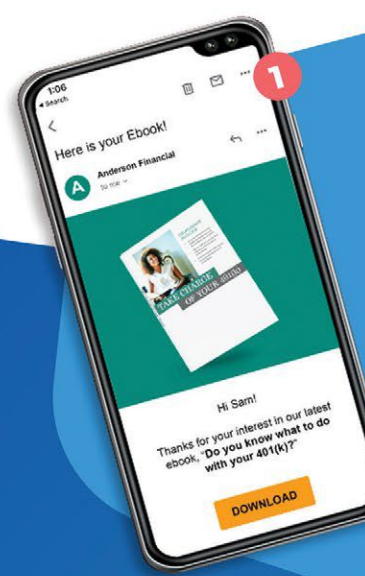


of businesses generate better results outsourcing lead generation

Source: Fearless Competitor



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Pro Bono Financial Planning During Pandemic Spurs a Call for Tech Innovation

By Jon Dauphiné
FOUNDATION FOR FINANCIAL PLANNING

The COVID-19 pandemic arrived like a tidal wave on our shores, wreaking health and financial devastation on millions of lower- to middle-income (LMI) Americans, who often had no emergency fund while facing loss of income due to employment disruptions and other factors.

LMI families also faced the highest barriers to obtaining quality, objective financial advice to help them weather the storm. Recent research by AARP shows that of all workers aged 25+, only about one-in-three people surveyed had ever consulted a financial professional for advice, and that number falls to just one-in-four for persons earning less than $40K per year. The biggest barrier cited is cost.

One vital way we can help these families is through pro bono financial planning, currently available via myriad different programs administered by U.S. nonprofits, many of them supported by the Foundation for Financial Planning (FFP). FFP is the national engine that powers pro bono financial advice for people in need, working to connect volunteer CERTIFIED FINANCIAL PLANNER™ professionals to people who need advice but cannot afford it.

The pandemic laid bare the fact that compared to paid engagements, pro bono engagements lack technological solutions that could make them more efficient and scalable. In contrast to the paid space of virtual meetings and highly sophisticated software, the pro bono space often relies on face-to-face meetings between volunteer advisor and client using worksheets for planning.

During the COVID crisis, the pro bono space had to pivot to virtual service delivery, helped along by emergency grants and technical assistance from FFP. Despite challenges, many pro bono programs thrived, soon discovering how virtual engagements can eliminate barriers for clients, such as needing to obtain childcare or travel long distances via public transit to appointments. Volunteers also benefited, as "giving back" became as simple as logging onto their computers from the comfort of their homes. One result: hybrid models of service delivery, with in-person and virtual options, will become much more prevalent moving forward.

But FFP believes that more innovation is needed to help drive the scale, efficiency, and impact of pro bono engagements. Tech needs include calendaring, signing and sharing documents, providing data prior to first engagements, tracking outcomes, and much more. Rather than a one-size-fits-all

solution, we anticipate that a range of stakeholders within the fintech ecosystem can develop promising approaches. FFP has pledged to be a catalyst to drive this innovation. To start, we've assembled a Pro Bono Tech Committee of association, nonprofit, and fintech leaders, who, together with pro bono volunteer advisors, can identify opportunities and scope solutions. We plan to bring the challenges to the fintech industry by sharing research and a call to action for the first time ever at the T3 and AdviceTech.Live conferences this year. By bringing key leaders together, we want to make these offerings as informed and successful as possible and to assume a leadership role in educating advisors and nonprofits about what is available.

The COVID pandemic showed that pro bono financial planning is more important than ever—and that we need additional tech tools to help it realize its full potential. As we lay the groundwork for these advancements, we invite you to join us. Sign up for our e-newsletter or donate to support this work at *FFPprobono.org*. ■

Jon Dauphiné is CEO of Foundation for Financial Planning.

Learn more at ffpprobono.org.

Note: Research source: "Attitudes Towards Financial Professionals," Consumer Survey, Report by AARP Public Policy Institute, June 2021.

FOUNDATION FOR FINANCIAL PLANNING
25 Years of Pro Bono Planning

Four Areas Defining Wealth 4.0

WealthManagement.com
2021 Industry Awards
Finalist

By Melissa Cullen
FIS

The wealth industry is experiencing profound disruption: more complex and demanding investor expectations, new and formidable competitors, exorbitant amounts of data, and permanent alterations to how we work and interact. The trends aren't new. What is new is the speed at which you have to respond to stay relevant.

To capitalize on the disruption and unleash new growth potential, you should reexamine how you approach four areas that will define the wealth industry for the rest of this decade: personalization, platform technology, data and scale.

To be truly effective in the age of hyper personalization, advisors are expected to be the family historian, medical expert, business consultant, moral compass and lifestyle guru. Then they need to use all that information to deliver highly personalized service across multiple, interchangeable channels to manage diversified portfolios that are likely to include cryptocurrencies and ESG funds—all while keeping their clients' best interest in mind. And they are doing this for a more diverse clientele, spanning up to five generations of wealth.

With the leaders in client experience outperforming their peer set and nearly a third of assets moving when wealth transfers generations, the stakes are high. To get this right, you need a flexible platform, a strong data strategy and the ability to drive scale across your business.

Digitization, artificial intelligence and algo-based investing are attracting new providers to the wealth market. Competition is intense and new services are being delivered at warp speed. You are no longer competing for assets with the bank or investment firm down the street. Your next competitor could be a tech startup halfway around the world that's never met with the client they just took from you. Yet our latest Readiness Report found that 40% of wealth managers aren't sure they can deliver a strong digital experience.

To keep pace and keep your customers, you need a technology platform that's agile and that lets you rapidly add services, integrate new partners and create a compelling connection across every customer interaction—digital or otherwise.

Driven by advances in technology, data is a game changer. According to IDC, by 2025, nearly half of the world's data will exist in the public cloud, and 30% of that data will be real-time. Without a strong data strategy—the ability to combine data sets, analyze unstructured data, contextualize it and use it for better decision-making—you can't adequately power your platform or personalize how you market and sell.

Even then, you might have the most personalized service, provided by the best people and be running on an open cloud architecture. But if you haven't optimized your operations, you still won't be able to compete. Whether you're focused on AI to reduce risk or looking to capture cost synergies from an acquisition, *processing at scale* matters. You should consistently reexamine your operating model and identify areas you can update and consider where you can outsource to get there faster.

While the past year provided disruptions well beyond what most had planned, the investments in people, platform and processes—and how we use this challenge to collaborate differently with our clients and our partners—has given us the opportunity to emerge even stronger and increasingly ready to meet the ever-changing needs of the wealth marketplace. ■

Melissa Cullen is the Global Head of Strategy for FIS' Wealth and Retirement business.

Usage of Model Portfolios by Financial Advisors

By Neil Bathon
FUSE RESEARCH NETWORK

The portfolio construction and asset allocation processes of advisors continue to evolve. Historically, manager selection, portfolio construction, and asset allocation were viewed as a business differentiator. Recently, a growing percentage of advisors have become more comfortable outsourcing at least a portion of that function to either the in-house research team or a third-party provider.

FUSE Research Network and WealthManagement.com surveyed advisors on their usage of models. Fully, 88% of advisors indicated using third-party models for at least a portion of their client assets. Nearly 54% are using third-party models from more than half of their client assets. Models have become an integral part of an advisor's investment process.

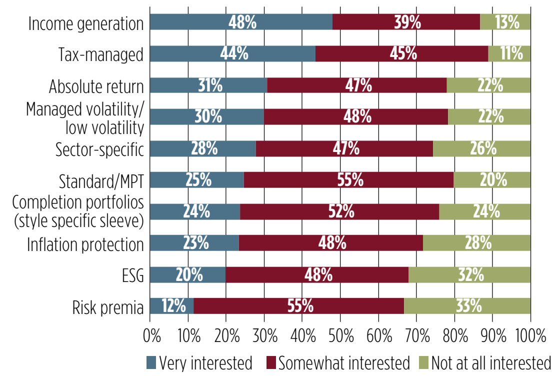
Advisors implement models in multiple ways for clients. Nearly 60% use models for the entire solution, while 47% implement them as a core of their client's portfolio. Finally, approximately a third of advisors use models for a specific outcome. And interest level is growing for outcome-oriented models. More than three-quarters of advisors are interested in the following strategies:

1. Income generation: 48% highly interested; 87% with at least some interest
2. Tax-managed strategies: 44% highly interested; 89% with at least some interest
3. Absolute return: 31% highly interested; 78% with at least some interest
4. Managed/low volatility: 30% highly interested; 78% with at least some interest

Asset managers have responded to the increased interest in model portfolios by making it a product development priority. Model strategies/portfolios are a major focus for more than a quarter of asset managers, while 42% are "somewhat" focusing on the model segment. Currently, 41% of asset managers offer model portfolios, while another 27% are evaluating the possibility.

The approach and preferences for underlying products within a model is highly consistent. Nearly 78% of asset managers use or plan to use a mix of mutual funds and ETFs for underlying investments. This mirrors the preferences among advisors, with 77% favoring a mix of mutual funds and ETFs. Only 12% of advisors prefer ETF-only underlying investments, which indicates a preference for active strategies for at least a portion of the strategies. Any emerging product trend will require support. Advisors have been using models for decades; however, implementation has exploded. More than half of advisors found two types of support to be "very important:" 1. Fact sheets with basic data about the model portfolio, and 2. Client approved materials/brochures.

Interest Level in Model Strategy



Sources: WealthManagement.com, FUSE Research Network

One support area yielded a significant disconnect between advisors and model portfolio manufacturers. Nearly 88% of asset managers felt assistance/advice on how to modify the model portfolio was "very important," compared to only 39% of advisors.

Finally, advisors ranked the importance of different buying criteria. Three categories were ranked 5.5 or more on a scale of 1 (not important at all) to 7 (extremely important):

1. Model is available on my platform
2. Performance track record of underlying investments
3. Fees of underlying funds

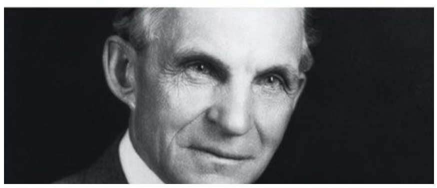
The usage of models—both in-house and third party—ensures a consistent experience for clients. And transitioning to models allows advisors to focus their time on other client needs, such as financial planning, health care, insurance, tax management, charitable giving, and more. A sound time offset. ■

Neil Bathon is Founder and Partner of FUSE Research Network.

Learn more at www.fuse-research.com.

Make a Customer, Not a Sale: Three Client Service Quotes to Live By

By Colin Falls
GEOWEALTH



Account aggregation, client reporting, billing, and trade reconciliation are table stakes for today's TAMPs, but what do RIAs really need from a platform? As a technology provider that initially built our platform inside of an RIA, we have an interesting perspective on this question.

RIAs are on an unrelenting journey to differentiate. To reach their specific goals, they require technology partners that cater to their precise needs. If there's anything our own history and our continual conversations with clients have taught us, it's that there are three must-haves that today's TAMPs (or any provider, really) should consider essential: a human-centric service and support approach; a flexible, customizable offering; and a modern, user-friendly experience.

"When the customer comes first, the customer will last." —*Robert Half*

Too many TAMPs haven't prioritized customer service. Log into Twitter and you'll see that legacy TAMPs often struggle to provide a timely resolution to an advisor's question or concern. Instead of a never-ending call queue, it's essential that TAMPs invest real human capital into each RIA relationship. RIAs need and deserve a dedicated point of contact who knows their business intimately; give them one.

Responsive, personalized customer service enables advisors to spend less time troubleshooting and more time serving clients. Investing in service creates opportunities for TAMPs to deepen relationships with existing clients by adding true value.

"Price is what you pay. Value is what you get." —*Warren Buffett*

While the legendary Mr. Buffett was speaking about investing in this famous quote, it applies perfectly to a RIA's relationship with their TAMP. Every firm is different and TAMPs should have a flexible, cost-efficient offering for firms of any size or stage. We know some advisors like to build their own models, thereby offering unique investment strategies. Those firms may only need back-office support in execution, maintenance, rebalancing, billing, or trading. Others prefer to outsource all components of investment management, so it's their expertise in delivering financial plans that sets them apart.

No matter the size or approach of a firm, a TAMP needs to be flexible in each client relationship. Technology providers exist to help RIAs better serve the needs of their clients. Far too often our industry loses sight of that.

"If you always do what you always did, you'll always get what you always got." —*Henry Ford*

As the needs of the modern RIA continue to shift, it's critical that solution providers respond to those changes by continuing to simplify the user experience. Traditional TAMPs have failed to evolve with the times. RIAs need integrated technology that fits in seamlessly with their unique business model. Whether their portfolios are advisor-managed, or they are looking to outsource a specific component of their investment strategy, advisors want to be met where they are.

Cost should not be a prohibitive factor in providing the best possible investment solutions for clients. Embrace the needs of today's RIAs and continue to modernize your offering.

These quotes should serve as reminders of what's expected when anticipating client needs and servicing customers. Prioritizing human-centric service that caters to the needs of each individual advisor and their practice while continually modernizing offerings is now expected. Are your vendors sitting on the same side of the table as you? ■

Colin Falls is President of GeoWealth, a TAMP managing $6B in client assets with the sole focus on serving the needs of RIAs.

GEOWEALTH

Learn more at geowealth.com.

Getting Used to a New World: Client-Centric Strategic Positioning for Year-end 2021

By Thomas Martin
GLOBALT INVESTMENTS

Thru the Looking Glass. By the time December of this year rolls around, we will have started to become accustomed to the changes that the first true global pandemic unexpectedly forced upon the world. The world is still recognizable yet very different. The economy, which is people, has a different feel, and has made significant adjustments since January 2020. Demand and supply of just about everything has shifted. Indoors/outdoors, work/leisure, possessions/experiences, the fortunate/the less fortunate, and what we value. These shifts are reflected in employment, inflation, production, public policy, money and risk and return.

Capital continues to seek opportunity. This has not changed and there is lots of both. The sum total of the surplus of human endeavor is at an all-time high as is the attainable potential within our collective grasp. The pool of investors with investible funds is large and diverse. What is the status and outlook for the environment we are in, and how can we best invest our money to meet our objectives?

Fish live in water; we live in an economy. On the whole, our economy continues to support us well. Employment is buoyant, assets have largely retained value, prices are stable, and mobility has returned. Interaction and transaction are robust. Support systems may not be optimal, but they remain in place and are increasing. Health, welfare, and comity continue to improve slowly, grindingly. Technology is accelerating. Many of the most important underpinnings appear very good.

Excess does tend to lead to correction. The better the underpinnings, the faster things can grow, and the more demands they place on their environment. As systems become large and complex, their maintenance requirements increase. Excesses were building before the pandemic. Battling the pandemic and saving the economy cost enormous sums of money which had to be borrowed and are now working their way through an economy that was not of a size to incorporate it organically. The results are high debt, low natural growth, low interest rates and demand in excess of supply for goods, services, and capital opportunities. But the supply of money is in excess of demand. The result is that everything gets bid up.

Rates of return have been high; risk has been rewarded. It's no surprise that money has been flowing into pretty much all investment assets. The last correction we had was so short-lived, it's almost like it didn't happen. People may say they are apprehensive, but it seems to be more like an afterthought. In

the meantime, the vaccines are working and increasing penetration, reopening is proceeding, employment is improving, consumers are spending, and profits are rising. Central banks and governments are very supportive. The punchbowl is full and being re-filled.

This is very likely to still be in place in December 2021. There could be a correction between now and then or we could be in the midst of one by then. Regardless, people then will be looking out to 2022 and 2023. For many, the outlook will continue to look good. Eventually, however, a correction will come.

Prudent *investing* requires planning for downside even if it never comes. We believe the overall strategy that meets this challenge is diversified strategic and dynamic asset allocation. Count on markets increasing in value (allocate to equities), but also count on the potential for deep and prolonged downturns coming at the worst possible time for your investment and lifestyle needs (allocate to cash and bonds). Dynamically reduce exposure when risk is high, increase it when risk has been lowered via a correction. ■

Thomas Martin, CFA is a Senior Portfolio Manager at GLOBALT Investments, an SEC Registered Investment Adviser.

Learn more at www.globalt.com.

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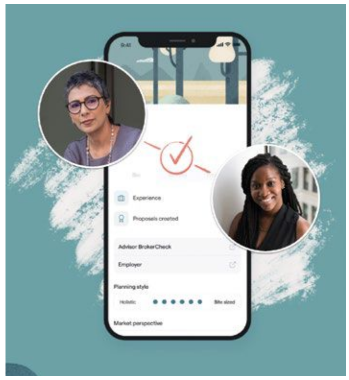
The Future of FinTech: Creating Better Access for Everyone



By Chip Castille and Becca Long
GOALBASED INVESTORS

One of the biggest questions facing wealth managers today is also one of the most pressing questions for the average American: How can we increase financial literacy for individual investors?

The idea goes that if financial literacy increases, then individuals can more easily engage with their financial problems and find the solutions they need more quickly.

An increased focus on financial literacy in recent years doesn't seem to be making much difference. A FINRA study found that over half of American adults feel anxious when they think about money.

Something tells us we might be approaching this issue backwards.

Rather than setting the bar for entry so high, what if those of us working in wealth management just made it easier for people to find solutions to their money problems?

Financial technology will lead the way toward this new future. Here's how it will work.

Understanding Technology's Role in Financial Literacy

There is a precedent for scaling up knowledge without increasing complexity. If we look at computers, we see a template for where financial planning needs to go.

People don't learn to code before they use a computer. In fact, in some cases today we don't even make coding the main focus while teaching coding itself. Kids learn how to code through gamification, where the code itself takes a backseat to a "game" they build.

Yet, when it comes to finance, we try to teach regular people complex financial concepts to do even basic money management.

The better path is to help individuals more easily engage with financial problems. Then, easily help them get access to people with very high levels of financial literacy: Financial advisors.

Financial technology can provide answers through two specific strategies: gamification and community.

Transforming Expectations for Financial Planning

Before a person can accurately engage with an advisor, they need to have a basic understanding of what problems they're facing and what goals they have.

A simplified, consumer-friendly type of financial planning can break down these barriers and simultaneously make connecting with advisors easier.

Similar to the programming world, gamification can help people interact with financial problems in a more relatable way. Gamification allows for experimentation where individuals can learn by doing as they quickly and easily experience the impacts of different decisions on their outcomes.

Through gamification, the fundamental experience of planning is put into a different medium. It becomes an enjoyable, engaging exercise, instead of a confusing, mathematical slog.

Yet, gamification is only a piece of the puzzle if we want to truly lower the barriers for people to discover solutions to their money problems. Community fills the remaining gap.

Enhancing Financial Literacy with Community

Historically, financial planning has been a private experience. Each plan is accessible (and beneficial) only to the person who received it.

But for the first time in history, the availability of technology means financial planning can become a socially-driven exercise.

By making planning community driven, investors can find and follow others like themselves to gain an understanding of their own situation and see how others are solving similar issues.

Community also creates a place where it's expected that individuals will connect and share information with others—including the experts who can help them. A socially-driven experience is a natural forum to create more access to financial professionals.

Technology experiences that prioritize these elements—gamification and community—will lead advisors and investors alike into a brighter future for wealth management. ■

Chip Castille is CEO & Founder, and Becca Long is Head of Sales and Client Experience, at GoalBased Investors.

Learn more at www.goalbasedinvestors.com.

goalbasedinvestors

The Financial Industry and Amazon

Are financial advisors ready for a Bezos disruption?

By Daniel R. Catone
GOLDEN STATE WEALTH MANAGEMENT

When Jeff Bezos started Amazon, he had a vision of a massive river of books analogous to the river of the same name. The river meanders through nine countries, delivers more than 7 million cubic feet of water per second to the Atlantic Ocean, and is fed by over 11,000 tributaries. The sheer volume of the river, much like Amazon, the company's dominance of book sales, is nothing short of astounding. However, one of the most amazing facts about this river is how it waters the forests that creates more than 20% of our planet's oxygen, a forest that supports, as some scientists estimate, up to 30% of the planet's flora and fauna.

Bezos' business genius is undisputed, but his selection of the Amazon River as his symbol is near clairvoyant. Amazon's original book sales business, like the river, fed countless entries into new product lines we have all come to use. Everything from lawn furniture to clothing to food is available at Amazon. But one industry seems untouched by this massive river of books turned river of cash: financial advice.

It's only a matter of time before Amazon or one of its tech peers enters our world and when they do, expect the disruption to be apocalyptic for dinosaur business models. Either we change the way we deliver financial services, or be prepared to go the way of Borders, Sears, Toy R Us, and GameStop.

The way in which consumers want to purchase advice, planning, and portfolios is changing. Instantaneous delivery, digital engagement, and total customization are table stakes for an advisor wishing to have a business that will outlive an aging, less digital demographic; and the clock is ticking. In my work with our financial advisor partners, I ask them how they are retooling for the Amazonification of advice. For most of us, 90% or more of our clients are over 50 as our typical product and product delivery methods are older than Amazon itself.

Digitization, a la Betterment ($29B AUM), Robinhood ($20B AUM) or Wealthfront ($21B AUM), is driving AUM growth because they provide a product younger consumers want, but more importantly, in the way people want to consume it. The common objection is that "younger investors don't have any money" is both false and shortsighted. Like an orchard, saplings don't produce fruit, but saplings become fruit bearing and older fruit bearing trees eventually stop yielding. A sustainable orchard cultivates all ages of trees.

One of the main problems with our industry retooling for this new digital reality is the age bias of our own advisors. With the average age of an advisor at over 55 years old, its easy to fall prey to a "coast to retirement" trap. Some might say this transformation might take 10 or 20 years, about the time most advisors might step out of full-time work. But, that's not how Amazonification happens. Ask Borders how long it took for human beings to abandon a 500-year-old sales model and embraced something a decade old.

Our companies and some of our competitors are moving quickly to digitize advice while maintaining the personalization needed to engage consumers in the way they wish. Are you? A sustainable financial advice business cannot rely upon a business model created before the internet existed. We must change. ■

Daniel R. Catone is the Founder and CEO of the Golden State, a registered investment adviser.

Learn more at teamgoldenstate.com and mystellanova.com.

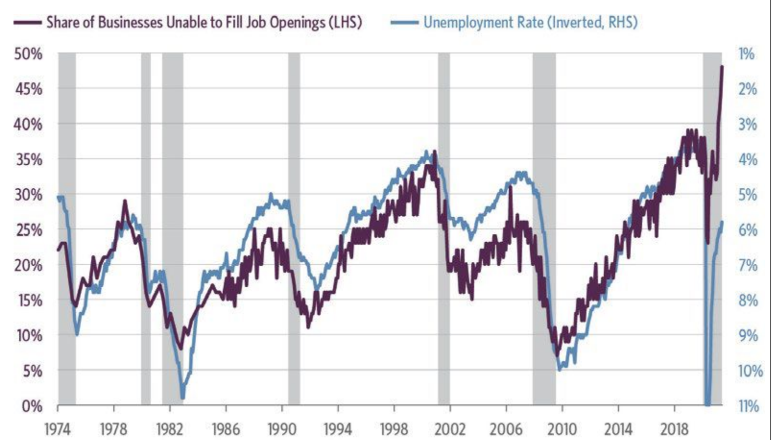
A Banner Year for Growth, But Don't Fear a Hawkish Fed

Wealth Management.com
2021 Industry Awards
Finalist

By Brian Smedley
GUGGENHEIM INVESTMENTS

U.S. economic growth picked up in the first half of 2021 as new COVID-19 cases subsided and fiscal policy gained traction. Real gross domestic product (GDP) growth increased by a robust 6.4 percent annualized, and we expect growth to accelerate to 11 percent annualized in the second quarter as the vaccine rollout and looser state restrictions allow for greater services spending. Personal consumption will continue to power growth, as households are flush with cash due to the past year's pandemic-related spending constraints, record fiscal transfers, and surging equity and real estate valuations.

Despite High Joblessness, Firms Report Difficulty Finding Workers



Source: Guggenheim Investments, Haver Analytics. Data as of 5.31.2021. Shaded areas represent recession.

The combination of recovering demand and lingering supply constraints is leading to price increases across a range of goods and services despite the prevalence of excess capacity in many sectors. This apparent contradiction can also be seen in the labor market data: The unemployment rate remains elevated at 5.8 percent—and the labor force participation rate is 1.8 percentage points below its pre-pandemic peak—but a record share of small business owners report difficulty in finding workers (see chart). We expect these pandemic-induced supply constraints and associated price pressures to be transitory, as do Fed officials who will discount the noisy inflation data in coming months. Our analysis suggests that the secular disinflationary headwinds of the past few decades will prove more lasting than a rise in prices due to temporary supply shortages.

Against this backdrop we expect "resolutely patient" Fed policymakers will defer the tapering of the Fed's $120 billion in monthly asset purchases until 2022, which would also push back the timing of the first rate hike. Another potentially dovish variable is that President Biden will have an opportunity to appoint up to four new Fed governors in the next seven months, including a new chair. We expect an emphasis on diverse candidates whose professional focus skews toward labor market inequality. This would underscore the Fed's new commitment to a "broad based and inclusive" interpretation of its maximum employment mandate, resulting in low rates for longer.

The economy's ability to fully recover from the pandemic depends in large part on the success of the global vaccination campaign. While the United States is on track to inoculate over 60 percent of the population later this year, vaccination drives outside of the United States are progressing more slowly, especially in lower-income countries with large populations. Many of these are reliant on traditional vaccine technologies that deliver lower protection rates. As a result, the world economy faces sharply divergent growth prospects, which will limit the Fed's ability to hike as soon as markets are pricing (25 basis points by January 2023) without triggering a disruptive rise in the dollar. The upshot is that real U.S. interest rates will remain deeply negative, providing a risk-friendly backdrop for investors. ■

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Learn more at www.guggenheiminvestments.com/perspectives.

GUGGENHEIM

Beyond 60/40: Allocating to Private Markets

Wealth Management.com
2021 Industry Awards
Finalist

HAMILTON LANE

With equity valuations at or near historical highs, which could limit stocks' future return potential, and low yields serving as a poor starting point for future bond returns as they are highly correlated, many believe that a 60/40 portfolio will produce diminished returns over the next decade.

Institutional investors have long abandoned the notion that a portfolio of 60% stocks and 40% bonds represents the optimal allocation mix, in favor of a portfolio that includes private markets. And as private markets are becoming increasingly more democratized with innovative investment vehicles, it may be time for individual portfolios to catch up.

Institutional Allocations to Private Markets: The Way Forward?

Private market allocations for pensions, endowments and foundations generally range from 10% to 20%.[1] Individual investors may soon follow suit thanks to improved access to private markets. Large minimums, complex tax reporting and liquidity constraints have historically been barriers to mass affluent investment. But investment structures, called evergreen funds, are helping to remove some obstacles as these funds typically come with a lower minimum, periodic redemption opportunities and other features associated with '40 act mutual funds.

Private Markets: Potential for Higher Returns, Lower Volatility

Generally speaking, the most compelling reason to allocate to private markets is the return potential. Private equity and private credit have outperformed global public equity and credit markets, respectively, in 19 of the last 20 years.

Less appreciated, is private investments' role as a portfolio diversifier that dampens volatility. The table below puts the historical risk/return benefits into perspective. With each incremental allocation increase toward private markets, the portfolio's total return increases, while volatility (standard deviation) decreases.

Allocation	Return	Standard Deviation	Sharpe Ratio
60% public equity, 40% bonds	7.47%	6.31%	1.31
54% public equity, 36% bonds, 6% private equity, 4% private credit	8.11%	6.23%	1.43
48% public equity, 32% bonds, 12% private equity, 8% private credit	8.76%	6.14%	1.55
42% public equity, 28% bonds, 18% private equity, 12% private credit	9.40%	6.06%	1.67

Source: Hamilton Lane Data via Cobalt LP and Morningstar. Data based on averaged quarterly returns (annualized). Date ranges: Equity: 1995-2020. Credit: 2000-2020. Performance shown for illustrative purposes only. Past performance is not an indicator of future results.

Conceptually, private investments are not that different from public equity and fixed income. A private equity manager is still buying an ownership stake in a company. A private debt manager is still providing capital to a company through a loan. The similarities make private markets easier to grasp than other alternative strategies.

One major difference is that the private markets are more expansive, boasting over 17,000 U.S. private companies with annual revenues above $100 million vs. 2,600 public companies. That equates to a wider hunting ground for portfolio managers to find innovative companies. Moreover, public markets have become increasingly concentrated in the last two decades, with the number of publicly listed companies dropping by a third since 2000.[2] Venturing into private markets means owning a wider, and potentially more diverse, swath of the corporate universe.

How Much to Allocate to Private Markets?

An investor's ability to withstand illiquidity is a major factor in determining how much to allocate to private markets. While evergreen funds may improve the liquidity profile of private investments, it still takes considerable time for private investments to realize their value. An investor who is comfortable not accessing a portion of their portfolio for several years may be best suited for a larger allocation.

While the precise amount to allocate is a case-by-case decision, investors often allocate to private equity by proportionally trimming their public equity exposure. Similarly, private debt is often viewed as a substitute for a portion of the traditional fixed income allocation.

Venturing into private markets means owning a wider, and potentially more diverse, swath of the corporate universe.

Conclusion

Given low return assumptions for public markets, investors may want to consider expanding their investment options going forward. Institutional investors have long realized the potential diversification and return benefits that private markets can provide. With new fund structures making the asset class more accessible, individuals ought to consider whether an allocation makes sense. ■

Learn more at hamiltonlane.com.

1. Source: McKinsey Global Private Markets Review 2021.

2. Source: Research by Professor Jay R. Ritter, University of Florida

Differentiate Your Practice Today: A Simple HSA Strategy to Stand Out to Clients

By Kevin Robertson
HSA BANK

Health savings accounts (HSAs) are a powerful savings tool but should also be recognized as an important retirement instrument. Employees who take advantage of their HSA can better manage healthcare expenses, now and in the future, have improved health outcomes and accelerated retirement readiness.

Advisors also play an important role, guiding clients as they design benefits plans in advance of open enrollment season.

One way employers can dramatically change behavior and outcomes is through an HSA incentive structure such as matching or seed contribution. Like 401(k) matching, this tool encourages an "active" employee role. This significantly increases account balances, saves employer money, improves value perception of benefits and improves retirement readiness.

A recent study found 59% of employees would contribute more to their HSA each year if their employer provided a match, proving the motivating power contributions have.

By showing employers how this plan design strategy builds significantly better retirement outcomes for employees and saves the company money, advisors can stand out to clients.

For example, if an employer with 500 employees, split between 50/50 single and family coverage offers a seed contribution of $500 for single and $1,000 for family (for an average seed contribution of $750), it will cost the employer $375,000 (500 employees x $750 average).

Now, if that same employer instead offers a seed contribution of $200 for singles and $400 for families ($300 average), plus matches 100% up to another $300 for singles and $600 for families ($450 average), it will be the same initial expenditure for the employer, but strongly encourages employee contribution leading to significantly higher long-term balances. However, the net expense will actually lower costs for the employer due to the payroll tax savings from the payroll contributions. Assuming 100% plan participation, the employer will realize payroll expense savings of $22,500 ($450 x 500 employees x 10%*) for a net expenditure of $352,500.

While payroll savings is attractive for an employer, we recommend using these dollars to further empower employee savings. For example, imagine if the employer above offered the same seed contribution of $200 for singles and $400 for families ($300 average), then match 50% up to another $500 a year for singles and $1,000 for families. While the employer contribution is higher than it was in the first scenario, the reality is that not every employee is going to participate to the maximum match. Assuming 75% participation, again split equally between singles and family plans, the seed contribution cost for 500 employees is $150,000 and the matching contribution expense for 75% of employees' averages is $281,250, for an investment of $431,250. However, due to payroll contributions, the employer will realize payroll expense savings of $56,250 ($1,500 average employee contribution x 375 employees x 10%*), for a net expenditure of $375,000.

While the net expenditure of this example is the same as if the employer only offered an initial seed contribution, the end result is higher perceived value by the employee and greatly improved outcome for employee savings, since this will generate three times more total contributions into their account. This is a much more strategic use of the contribution investment made by the employer.

There are many strategies employers can explore to increase HSA participation among employees yet by presenting this simple strategy and walking an employer through the math advisors stand out to their clients. ■

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Learn more at www.hsabank.com.
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*Represents average aggregate payroll savings rate for FICA, FUTA, Unemployment, etc. Individual states or circumstances may vary.

Health Savings Accounts: The Most Effective (and Overlooked) Retirement Planning Tool?

By Dan Griffith
HUNTINGTON PRIVATE BANK

Clients and advisors alike seem to constantly seek the next best thing in retirement planning. However, in doing so, many people have disregarded an existing tool that arguably provides tax benefits beyond many more popular strategies, including Roth IRAs. Health savings accounts, or HSAs, uniquely offer any individual taxpayer—regardless of income level—three important benefits.

First, contributions they make into the HSA reduce their taxable income. In 2021, the family contribution limit is $7,200 (with an additional $1,000 for those over age 55), which exceeds the IRA contribution limits. Second, once the funds are in the HSA, they grow tax-free. And finally, the funds can be removed from the account tax-free provided they are used for qualifying medical expenses. Although many retirement strategies offer at least two of the benefits, the HSA is one of the only ways to grow and use the benefits tax-free.

So why is it that a tool with so much to offer is still underutilized? Many advisors overlook HSAs as a savings tool and fail to educate their clients on the benefits. Consequently, huge misconceptions remain about the available options. Many clients preparing for retirement are unaware the funds can be invested or that the money in the HSA doesn't have to be spent by the end of the year as might be true with other health care savings vehicles.

Even when clients understand the rules, they may be reluctant to "lock up" the funds in an account in which the proceeds can only be used for limited purposes. Fortunately, next to death and taxes, medical expenses in retirement are close to a guarantee. The annual Fidelity study on health care costs in retirement suggests that a person who is 65 and retiring in 2021 can anticipate about $300,000 in health care expenses. That estimate doesn't even cover the costs of long-term care, which can be exponentially greater. Finding qualifying expenses should not be a challenge.

Retirement Vehicle	Contribution Limit	Reduce Taxable Income?	Grows Tax-Free?	Taxable on Distribution?
Traditional IRA	$6,000 ($7,000 if 50 or older)	Yes, with income limitations	Yes	Yes, as ordinary income
Roth IRA	$6,000 ($7,000 if 50 or older)	No	Yes	No
Taxable Savings	None	No	No	No
Health Savings Account	$7,200 ($8,200 if 55 or older)	Yes	Yes	No, for qualified expenses

The long list of qualifying medical expenses also is another surprise to clients. Not only can HSA distributions be made for traditional medical costs, like doctor visits and prescription costs, account holders can use the tax-free funds for dental expenses, Medicare premiums, health insurance premiums and even certain retirement community fees. By taking these expenses tax-free from an HSA, rather than paying them using precious monthly income, they can make cash-flow planning in retirement an easier task.

Clients often express a concern over losing the funds if they pass away before the money is exhausted. Many HSA custodians now allow a client to designate a beneficiary. This means that the retirement savings can be passed to a surviving spouse, or other family members, who can also use the remaining funds for medical expenses if they otherwise qualify. Also, unlike IRAs, the HSA does not have required minimum distributions and can continue to grow tax-free.

These are just a few reasons advisors should talk to each of their clients about utilizing HSAs as an essential element in their retirement planning. ■

Dan Griffith is Senior Vice President and Director of Wealth Strategy for Huntington Private Bank, where he leads a team of advisors who advise ultra-high net worth clients on all aspects of their personal and professional lives. He is a licensed attorney with a background in estate and tax planning, complex trust administration, business succession planning and charitable giving.

Learn more at Huntington.com/PrivateBank.

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Finding Opportunities in Alternative Fixed Income

Hedge funds specializing in structured credit offer strong, diversified return potential.

By Joseph Burns
iCAPITAL

While elevated valuations in equities are raising concerns for all investors, the structural challenges in traditional fixed income are causing additional problems for advisors that are unlikely to be resolved anytime soon. Advisors seeking a solution may want to consider shifting a portion of the fixed income allocation to structured credit securities.

The most common reference for fixed income investors is the Bloomberg Barclays Aggregate Bond Index, which in the U.S. includes an approximate two-thirds weighting to Treasuries and corporates that span investment grade and high-yield securities, and a one-third weighting to securitized credit. As of mid-June 2021, the 10-year Treasury bond yields less than 1.5%, single-A corporate bonds are trading with an effective yield of 1.8%, and high yield has become a complete misnomer with sub-investment grade bonds yielding just 3.1%.[1] With historically low yields and the potential for rising rates, the combination of credit and duration risk has arguably never been higher for fixed income investors in the popular Treasury and corporate sectors.

Inefficiency yields a unique return source

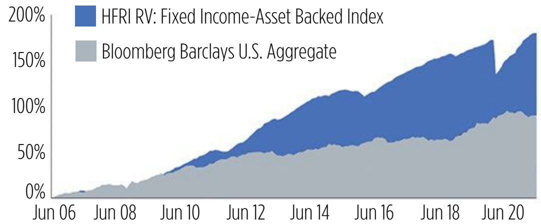
Within a $60 trillion fixed income market, roughly $20 trillion comprises residential, commercial, and asset-backed securities along with collateralized, senior-secured loans. The vast majority of these securities—nearly 85%—are government-sponsored enterprises, including Fannie Mae and Freddie Mac, and the Federal Housing Administration, Department of Veterans Affairs, and Department of Agriculture loan programs. This leaves approximately $3.5 trillion of non-agency structured credit securities.

Structured credit securities are generally under-followed, highly inefficient, and offer significant flexibility across a diverse set of sub-sectors, asset types, credit ratings, and instrument structure (e.g., floating versus fixed rate, amortizing versus non-amortizing, etc.). These inefficiencies provide an opportunity for advisors and clients to increase the return potential of their overall portfolio by diversifying away from traditional investment grade, high yield and Treasury securities.

This comparative inefficiency is not a new phenomenon, as select funds have generated significant outperformance over the long term. The following chart highlights the Bloomberg Barclays Aggregate Bond Index compared to the HFRI RV: Fixed Income-Asset Backed Index.[2] Over the past 15 years, the hedge fund index has effectively doubled the return of the traditional bond index, with cumulative performance of 180%, versus 91% for the Aggregate Bond index.[3]

Structured credit has outperformed traditional fixed income

HFRI RV: Fixed Income-Asset Backed vs. Bloomberg Barclays U.S. Aggregate



Source: Evestment, as of June 15, 2021. Past performance is not a guarantee of future returns. *For illustrative purposes only.*

Bottom line: In the current environment, strong equity performance may be masking the higher risk and lower return potential in bond markets. However, should stocks falter and fixed income fail to provide the expected ballast, clients will undoubtedly wonder what is happening with the 40% of their capital that is often allocated to traditional bonds.

Experience required

Securitized credit offers the potential for a significant increase in returns through exposure to an inefficient asset class requiring deep domain experience, differentiated sourcing capabilities, and proven risk management capabilities. Several hedge funds specializing in this area have outperformed traditional fixed income over the past 10 to 15 years, and in the current environment have an opportunity to provide diversifying performance that is not readily available in traditional fixed income securities.

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Learn more at www.icapitalnetwork.com.

1. Source, eVestment, as of June 15, 2021

2. Visit HFR for a description of the HFRI RV: Fixed Income-Asset Backed Index.

3. Source, eVestment, as of June 15, 2021

Private Markets Shook Off the Effects of COVID-19 in 2H 2020

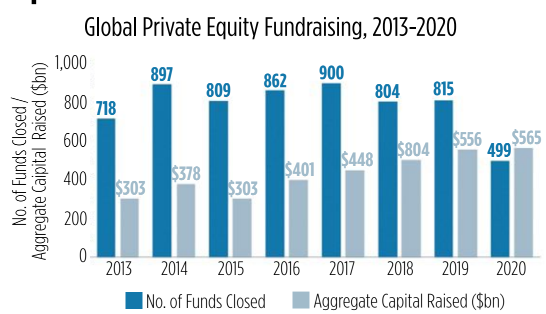
Fundraising, capital deployment, and exits recovered from the first-half 2020 market malaise caused by COVID-19.

WealthManagement.com
2021 Industry Awards
Finalist

By Kunal Shah
iCAPITAL

The private markets saw a swift recovery in the second half of 2020, with the pace of fundraising, deployment, and exits all accelerating rapidly. On the fundraising side, the aggregate private equity capital raised in fiscal year 2020 exceeded 2019 by more than $9 billion, as the industry quickly adapted to raising capital remotely.[1] Much of this fundraising was driven by larger, established firms in which investors had a sufficient level of comfort and familiarity with a manager. Moreover, the Fed's easy monetary policy continued to steer investors seeking returns towards private markets and other higher risk asset classes. Real estate was a notable exception as office and hospitality assets were most at risk from COVID-19-related lockdowns. Consequently, real estate fundraising slowed significantly.

2020 private equity fundraising increased, but capital went to fewer funds.



Source: Pitchbook, as of December 31, 2020. Past performance is not indicative of future returns. *For illustrative purposes only.*

Technology, tech-enabled business services, and health care companies were beneficiaries

A similar story played out in deployment, with second-half 2020 seeing an impressive recovery that led to full year deal activity reaching nearly 85% of the prior year. Much of this activity was, unsurprisingly, driven by three key sectors that were net beneficiaries of the pandemic: technology, business services (many of which are tech-enabled), and health care. Together they accounted for nearly two-thirds of all U.S. private equity deal flow. Across all sectors, tech-enabled companies benefited from the rapid COVID-19-led digitalization of the economy. According to management consultant McKinsey & Co., e-commerce penetration alone saw 10 years' worth of growth in just three months.[1]

It is also of little surprise that the venture capital market was a significant beneficiary of this digital acceleration. Not only did 2020 venture capital deal value close out the year nearly 40% higher than 2019, but U.S., late-stage venture capital valuations also rose significantly in 2020's fourth quarter. The average, pre-money valuation of series D and later rounds more than doubled (from $381 million to $800 million) since the onset of the pandemic.[2]

SPACs emerge as an exit vehicle

Lastly, U.S. private equity exit activity recovered to near-2019 levels, with global exit activity ending 2020 almost $10 billion above the prior year.[1] One interesting trend—beyond the already noted broader recovery—has been the emergence of the special purpose acquisition company (SPAC) as an exit strategy. These blank check companies help take businesses public without going through the initial public offering process; 2020 saw more SPAC listings than in 2006–2019 combined.[1] In 2021 and beyond, this vehicle is expected to become an increasingly important exit path for private equity-backed companies. While SPACs may also represent competition for deals, to date private equity—and venture capital, in particular—has been a net beneficiary of this trend.

For a more detailed overview of alternative investments—including private equity, private credit, hedge funds, and real estate—see the fourth-quarter edition of iCapital Network's Alternative Investments Compendium. ■

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Learn more at www.icapitalnetwork.com.

1. Source: McKinsey; Five Fifty: The Quickening.

2. Source: Pitchbook, as of December 31, 2020.

Is the Market Too Complacent Around a USD Bounce in 2H21?

By Jonathan Cavenagh
IGM

The market may be underestimating the risks of a meaningful USD bounce in the second half of 2021. If such a move unfolds, it is most likely to be driven by a hawkish outlook from the Fed. The potential spill over to other asset classes cannot be underestimated. Current correlations between the USD and equities, commodities, credit, and emerging markets are running at -80% which means that if the USD were to gain, there is a real risk that returns in these assets will decline. There may be few places to hide in a portfolio context, however gold is an attractive option, as its current correlation with the USD is flat and the metal is a good inflation hedge.

The USD has dropped around 10% in the past year, whether defined in DXY terms, or against a broader basket of currencies. Consensus forecasts compiled by Bloomberg do not suggest a lot will change in the second half of 2021. The DXY is projected to end the year at 89.90 versus the current level of 90.50.

In many respects a weaker USD fits with the broader macro narrative. The Fed maintains a dovish stance, with very accommodative monetary policy settings remaining. This leaves real US interest rates (inflation less nominal interest rates), deeply in negative territory.

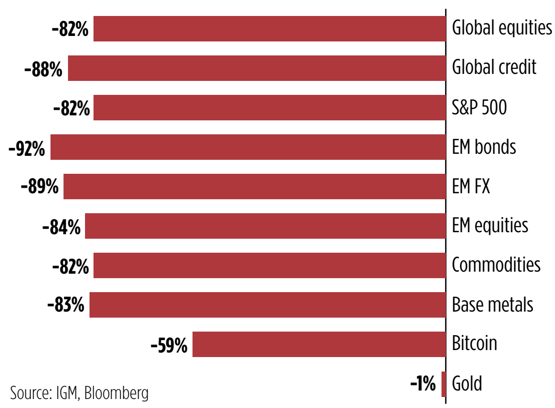
It is possible, though, that the market is underestimating the risks of a USD bounce in the second half of 2021. Such an outcome is by no means a 0% probability risk and if it eventuates would likely have a profound impact on other asset classes.

The most likely avenue to a sharp USD rebound is via the US Fed turning more hawkish—such as tapering its bond buying program or bringing forward the timing of interest rates hikes. Currently, the market is pricing in no Fed hikes in 12 months, around 30bps in 2 years and around 80bps in 3 years. What if this timeline was brought forward as US growth recovers quicker, shifting the current transitory inflation spike into a more permanent one? Given the degree of fiscal stimulus in the US economy, successful vaccine rollout and re-opening of the economy, such a scenario—while not the baseline for the market—can by no means be completely discounted either.

If such a scenario unfolds it could severely disrupt the current investment landscape. Consider some of the following correlations between the USD and other major asset classes for the past 12 months—emerging market equities is -84%, with global equities -82% and US equities (S&P500) -82%. Spot commodities -82%, base metals -84% and Bitcoin -60%. Emerging market currencies -90%, emerging market bonds -92% and global credit returns -88%. Any USD bounce could be accentuated by the fact that market is skewed towards short USD positioning.

Figure 1: A USD bounce would be felt across all major asset classes.

Correlations between other assets and USD FX - past 12 months



Source: IGM, Bloomberg

This does not leave many corners to hide in terms of hedging risks. Importantly though, the USD versus gold correlation has been flat over the past 12 months. Given that any USD surge is likely to be driven by inflation, gold can potentially benefit from such a development. ■

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Learn more at IGM.com.

IGM
Informa Financial Intelligence

Creating a Magnetic Presence is More Important Than Ever

By Marie Swift
IMPACT COMMUNICATIONS

Charles Schwab said in his most recent autobiography, "Nothing compares to the word of mouth that results from good PR." Referring to his earlier years as an entrepreneur, he says, "It was true then, and it is truer today, with the explosion of social media." I whole heartedly concur. The saying "perception is reality" is as true and unyielding as any other.

The good news is that how people see us—and how they perceive our place in the world—can be shaped and managed. That is the essence of PR, or public relations, which is defined as the practice of deliberately managing the spread of information between an individual or an organization and the public. How you position yourself and your brand is important. Good positioning will attract the right people—and subtly repel the wrong people. A strong reputation coupled with strategic visibility and a clear, compelling message is the key.

As the old saying goes, people work with people they like and trust. This is especially true when it comes to selecting and sticking with a professional financial advisor. The Internet has made it easier and easier for people to find out about the service professionals with whom they work—and what you show the world should go beyond just the top executive tier and into the various levels of personnel.

Showing the personal character of those who work in the firm is easy if there is a distributed effort to collect interesting tidbits and photos of your team members working together, volunteering in the community, spending time with their families, on trips or sabbaticals, etc. Social media is another aspect of having a strong online presence; you can demonstrate the character and culture of your firm extremely well through frequent and meaningful posts on Twitter, Facebook and LinkedIn. When people who are relevant to your target market "like" and share your content, the benefits exponentially multiply.

Being seen as a resource for credible news outlets and informational blogs, podcasts and other forms of "citizen journalism" sites, can add to the halo effect we all want to achieve. You will need to earn a spot on these programs and third-party info-sites. That means you must be not only a "subject matter expert" but a publicly-verified authority in your field. So, contribute articles to other credible sites and outlets, offer your thoughts for articles and programs being produced by professional journalists and influential others.

You will also need to work on creating your own content

and either publish it on your own website or crosslink to it to/from your website. Your media mentions, articles published on other entities' sites, e-newsletter, community involvement photos, videos, audios, and so forth, can also be added to your website and social media feeds. This is called harnessing your digital assets.

Study other successful advisors and see how they are mastering the art of creating a magnetic presence. The National Association of Personal Financial Advisors (NAPFA) and I have also teamed up to produce an ongoing series of practice management webinars called Playbook. A number of good sessions coming up, and you can access the recordings from past years as well by visiting *www.napfa.org/2021-playbook-series*. ■

Longtime marketing communications professional Marie Swift and her team at Impact Communications, Inc. have for over 20 years worked exclusively with independent financial advisors and allied institutions.

Learn more at www.ImpactCommunications.org.

Who is Planning Your Future?

By Kristin Discher
THE INVESTMENT CENTER, INC.

You work tirelessly to help your clients prepare for their future, including setting up a plan for their business and family. But who is planning for your future?

The conversation of mortality or disability is often a taboo topic, but one as an advisor you have learned to navigate with compassion. You need to approach your own planning the same way. Let's review three ways to take care of your future.

Designation of Commissions

First and foremost, have a list of beneficiaries on file with your broker-dealer. In case of an emergency, you want your family provided for. This is the basic form of preparation all advisors should have, regardless of age. If your firm does not have a form that assigns your trail-based commissions to your beneficiaries, ask them to adopt one.

Continuity Planning

Your second option is to prepare a continuity plan. A continuity plan will outline a transition of your business in an emergency. This will help your family by providing them with a defined benefit from your business and takes into consideration your clients. 2020 was a wakeup call for many advisors as they realized they did not have a plan in place if something unexpected were to happen to them. When you look for a continuity partner, you will want to find someone who shares the same investment philosophy as you do, uses similar portfolio management structures, and will care for your clients. Your broker-dealer should have a template on file that you can leverage for creating this plan. This plan should be on file with your broker-dealer so they are aware of any steps to take in case of an emergency.

Succession Planning

Finally, a succession plan differs from a continuity plan as it contains an asset purchase agreement. It is typically not written until an advisor is ready to retire and sell their business. The first step to selling your business is to have a professional business valuation completed that takes into account your investment business and any other lines of business. There are several resources available that can help with this if your broker-dealer does not have in-house succession planning support. Once your business valuation is complete, you will be in a position to negotiate the final sale price for your

book of business. Regarding the structure of your succession plan, you can choose several options including a buyout, an earn-out, or a sell and stay for example. The most important step is finding a suitable succession partner. Your continuity partner may be a suitable succession partner. If you don't have a continuity partner, finding a successor will follow the same process—someone who runs their business like yours and that you can trust working with your clients. An advisor that is within your broker-dealer is an easy place to start looking. It makes the move easier on your clients. Once the agreement is signed, you can begin the process of stepping back from your practice.

To make your business more attractive to sellers, you should have a CRM with all client contact information and notes easily accessible. Once ready to retire, engaging in open conversations with your clients about the next steps will help ease the transition for them, and you. ■

Kristin Discher is the Director of Marketing with The Investment Center, Inc., focused on helping advisors grow their business.

Learn more at www.investmentctr.com.

Why Section 1031 Like-Kind Exchanges Need to Remain As Is

By Dan Wagner
THE INLAND REAL ESTATE GROUP

There is a misconception that Internal Revenue Code Section 1031 like-kind exchanges are a "loophole" or tool for the rich to dodge real-estate taxes. This notion contorts the true, progressive goal of the tax code to help middle-class Americans build personal savings and ensure income for the future. In many ways, 1031 like-kind exchanges are similar to 401(k)s or Roth IRA accounts.

For 100 years, Section 1031 like-kind exchanges have been a powerful tool in the U.S. tax code, grounded in sound tax policy that generates broad economic and environmental benefits. These transactions allow real estate owners to exchange property for other income-producing properties and defer—not dodge—the tax on any unrealized gain. When the owner eventually liquidates the investment, the government collects the full amount of taxes. In many cases, the new property grows in value beyond the original investment, yielding an even greater value for property owners and increased tax revenue for the government.

Recently, the Biden Administration proposed to cap the amount of 1031 like-kind exchange real estate at $500,000. Unfortunately, this cap would have a negative impact within the communities that his American Families Plan and infrastructure plans are intending to help. By allowing property owners to defer capital gains taxes without a threshold limit, Section 1031 as currently enacted encourages those dollars to be channeled into real estate in underserved areas.

Investment in Underserved Communities

Section 1031 can benefit people in various socioeconomic and demographic groups. As the ultimate equal opportunity tax code provision, it offers an efficient and effective means for individuals to grow their wealth. More importantly, it assists and incentivizes large economic-impact commercial real estate projects in underserved markets that can have a positive effect on low-income, minority and inner-city neighborhoods.

For instance, savings incurred by not having to pay tax immediately can be invested in underserved areas to help reposition an abandoned shopping center or an underused warehouse. These outdated properties can be transformed into more productive uses, such as affordable workforce housing or a job-generating e-commerce hub. In fact, an independent Ling and Petrova study confirmed that property owners who leveraged a 1031 exchange garnered greater capital

investment in properties compared to those who purchased without an exchange.

Investment in Job Creation

It is proven that like-kind exchanges have a multiplier effect when it comes to creating and maintaining jobs. An Ernst and Young (E&Y) study found 1031 exchanges generate $4.4 billion in additional investment and 568,000 jobs each year. This is expected to equate to approximately $27.5 billion in labor income in 2021. Many jobs come from capital improvements made after a like-kind exchange, creating opportunities for electricians, carpenters, plumbers, contractors, masons, building material suppliers and more. From a policy perspective, the E&Y study highlights that federal, state and local tax revenue related to 1031 transactions totals more than $7 billion a year.

The like-kind exchange represents one of real estate's only tax deferral mechanisms. The only similar option is a self-directed retirement account, which does not apply to real estate owners because an IRA and 401(k)-owned property cannot be improved by the account owner.

As we recover from the economic impacts of COVID-19, Section 1031 like-kind exchanges can play a critical role in the economic recovery and growth of local communities. ■

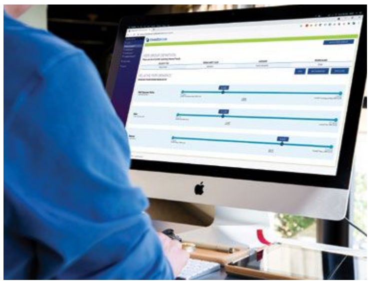
Dan Wagner is Senior Vice President, Government Relations, of The Inland Real Estate Group, LLC. Inland is a proud member of several organizations that support like-kind exchanges and will be working with them to educate our elected officials as to the importance of Section 1031.

Learn more at www.inlandgroup.com.

How Financial Professionals are Thriving under Reg BI

WealthManagement.com
2021 Industry Awards
Finalist

By Parham Nasseri
INVESTORCOM



Over the past decade, the wealth management industry has grappled with a fair share of regulatory change. For many, the mushrooming regulatory change is no longer an exception, but an expectation. In the past year, many wealth managers and financial professionals were focused on meeting the requirements of Regulation Best Interest (Reg BI). In summary, Reg BI aimed to elevate the level of client stewardship by enhancing four key obligations: Care, Disclosure, Conflict of Interest, and Compliance. It has been a year since Reg BI came into effect and the industry has taken gradual steps to innovate and meet regulatory demand head-on.

Technology Assisted Decision Making

Reg BI's care obligation means financial professionals must evaluate reasonably available alternatives (RAA) for each client recommendation. This means they must determine the merit (cost, risk, and return) of other, similar investments to ascertain whether a security recommendation (or investment strategy) is in the best interest of each customer. To compliantly evaluate RAA for clients, financial professionals must study as many as one million data points, a challenge that cannot be effectively met manually. Financial professionals see the benefit of allowing technology to support their decisions and recommendations instead of it getting in the way.

Low-cost solutions are not necessarily the best option for clients and head-to-head comparisons of products are also insufficient. Instead of leaving financial professionals guessing what to compare, a peer-oriented framework allows comparison of the cost, risk, and return of an investment against an entire group of reasonably available alternatives automatically, effortlessly, and consistently.

Finding the Documentation Sweet Spot

Financial professionals need to document their recommendations; however, reliance on CRM, spreadsheets, and manual checklists are onerous, can lead to inconsistencies in data and reporting, and make it difficult to provide oversight.

Automation has been key to the streamlining of these processes with software solutions that document recommendations at the time of comparison, not after. Rob Dearman, CEO and Chief Innovation Officer of DCG Insight says, "the use of a purpose-built compliance platform specifically designed for making compliant recommendations, documentation and reporting allows broker-dealers to meet the many facets of their best interest obligations with minimal training time, intuitive programming, and easy implementation. Replacing manual paper-based processes with digital recordkeeping is essential to remaining compliant in an era of remote work. These efficiencies allow advisors more time with their clients, growing their book of business, and bringing them back to the primary focus of their jobs—helping their clients meet their financial goals."

Shifting the Compliance Bottleneck Paradigm

Financial professionals are beginning to receive requests from the U.S. Securities and Exchange Commission's (SEC) examiners to justify and explain the investment recommendations of their registered representatives. It's been reported that the SEC examiners are looking for patterns of complaints, how these complaints relate to the quality of recommendations set out by financial professionals, the consistency of how recommendations are made, and how the firms monitor and address client related concerns. Again, automation is key to recommendation consistency.

Disclosure Done Right

Paperwork is a costly overhead expense for any business. By embracing the SEC's allowance of electronic disclosure documentation to clients, firms enjoy an efficient and environmentally friendly approach to compliance. Automated solutions reveal when a client has received, opened, and read the correspondence while keeping the latest information and records available at the fingertips of financial professionals, and the compliance officers reporting to the SEC. ■

Parham Nasseri is the Vice President of Regulatory Strategy at InvestorCOM Inc.

Learn more at InvestorCOM.com.

InvestorCOM

In the "New Normal," Let's Make Retirement Clearer for Everyone

By Tim Munsie
JACKSON

It's been nearly a year and a half since a global pandemic upended the way our industry conducts business. Yet here we are at a point almost unimaginable merely six months ago—life is starting to feel familiar again, many offices are reopening and in-person meetings and events are appearing on calendars.

Not only have financial professionals successfully risen above the incredible challenges of the pandemic by adapting quickly to embrace new tools and technology, but many took bold steps to reimagine the client experience that will benefit their practices well into the future.

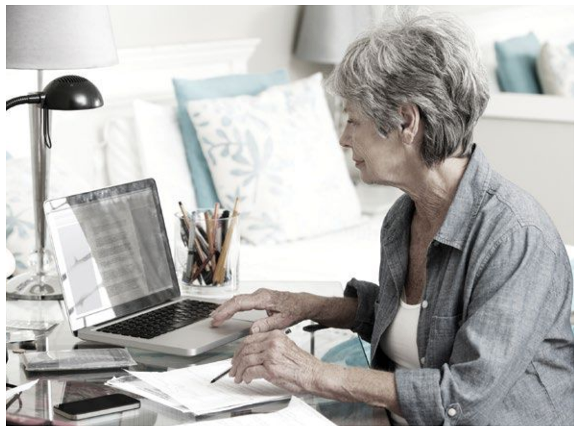
At Jackson, we also pivoted fast to meet the needs of our customers and ensure their clients' retirement plans remained our top priority. Our wholesalers did not miss a beat, moving from zero virtual meetings logged in 2019 to hosting over 54,000 in 2020. They also initiated more than 1 million outbound client calls while earning high marks from financial professionals for their strong support.

Providing our diverse suite of retirement products, digital tools and technology solutions to support better client outcomes is a team effort at Jackson, and we're proud of our exceptional associates for their dedication and resilience. Among other achievements, their impressive efforts resulted in Jackson earning Contact Center of the Year honors in 2020 for the second year in a row from a field of leading call centers from across North America and leading the industry in annuity sales, despite the adverse business environment.

There has been much discussion around the future of our industry as we move past the pandemic together and define the "new normal." Joseph Coughlin, director of MIT's AgeLab and a leading retirement expert, recently advised financial professionals the pandemic has brought several industry trends to the forefront. These include increased technology use and hyper-personalized customer experiences that put clients' life values at the center of holistic financial conversations.

Jackson has long been active on both fronts and continues to commit significant resources to building technology and platforms that integrate our products into financial professionals' businesses, simplify the transactional process, and make it easier to show the impact annuities can have on clients' retirement plans. We are also simplifying the process of doing business with us by using clear, relatable language and creating seamless, innovative experiences.

To encourage more values-based discussions, we offer



a wide range of effective tools like our new Find Your Path interactive microsite powered by *Kiplinger*. This excellent conversation starter simplifies retirement planning while leveraging content from our award-winning *Retire on Purpose* campaign to help clients explore post-career lifestyle preferences along with retirement income needs. We also recently launched a refreshed Jackson.com website with even more features and annuity education materials to support financial professionals and the clients they serve.

Recent research by Jackson and others shows Americans' retirement concerns are growing as we approach a watershed moment for our industry when the U.S. will have more 65-year-olds than ever before. Jackson is committed to continuing to provide useful resources and strategies to help ensure this generation and those who follow have all the clarity they need for a confident future. ■

Tim Munsie is Senior Vice President of Product Strategy and Development at Jackson National Life Distributors LLC, the marketing and distribution arm of Jackson National Life Insurance Company® (Jackson®).

Learn more at Jackson.com.

JACKSON®

Up Ahead: Highlights of What to Expect in a Post-pandemic World

By David Stubbs
J.P. MORGAN PRIVATE BANK

It's been a wild ride in markets over the last 18 months. As advisors enjoy the warm weather over the summer, we hope our mid-year outlook will clarify some of the key questions for investors and provide some ideas to help financial advisors plan and succeed throughout the remainder of 2021 and beyond. In short, we believe that we are in for another strong six months for risk assets.

Is the U.S. the only game in town?

With some of the most aggressive monetary and fiscal stimulus anywhere in the world, and impressive vaccine rollout-out, the case for U.S. outperformance this year seems clear. Yet given that the S&P has rallied 32% since January last year (against 29% for MSCI world and 26% for EM, all in USD), and the fact that all the good news seemingly well understood, it may pay to focus on other regions where recovery is less mature.*

Europe is one of those regions where vaccinations have gotten off to a slower start and some restrictions remain in place, but the recovery is picking up pace. We like this catch-up story that gets a further boost from the EU Recovery Fund, strong earnings growth and a wider-than-normal discount to the S&P 500.

We also like adding to on-shore Chinese A-Share equities here, especially as they have lagged this year after leading the world out of the COVID bear market in 2020. Long-term secular trends in China are still firmly in pace and most clients do not have enough exposure to on-shore market.

Where now for the global recovery?

Although the pace of the global "V-Shaped" recovery is likely peak in Q2, growth will remain above trend deep into 2022 as policy remains supportive and the unemployed find work. Yes, this rapid re-opening and supply shortages have caused inflation to rise significantly. While agree with the Fed and view the recent surge as transitory, we see a healthy recovery driving a healthy amount of inflation, consistent with the Fed's goals for an average of 2% over time. Adding to cyclicals and value areas of the equity market (financials, industrials, energy), as well as to real assets like real estate and infrastructure, a way to play this outcome. Elsewhere, inflation concerns are more muted as re-opening has been slower and policy less aggressive.

In the longer term, we believe that potential GDP growth in the United States could run at a rate of around 2.25% in the new economic cycle, up from the currently assumed 1.8% growth rate. As lessening of the structural drags in Europe, which held growth down, could yield a similar impact there. If we are right, the growth and inflation mix will be very favorable to investors going forward, as earnings grow into today's elevated valuations.

Labor productivity picked up during the crisis

Source: Bureau of Labor Statistics/Bureau of Economic Analysis as of Q1 2021

Indeed our Equity Strategists expect 40% EPS growth in the U.S. in 2021 followed by 10% in 2022 (which includes as $5 hit form the potential impact of higher taxes), similar, if not better numbers are expected elsewhere. That should fuel mid-single to low-double digit upside to global equity markets.

A booming global economy, still-supportive monetary policy and impressive corporate earnings are powerful tailwinds to markets. While there are certainly risks, around inflation and an eventual tightening of fiscal policy, we believe the tailwinds of the recovery will dominate and are therefore still constructive going into the second half of the year. ■

David Stubbs is Global Head of Market Strategy at J.P. Morgan Private Bank.

Learn more at privatebank.jpmorgan.com.

*Total returns

The New Age of Marketing: Exploring New Tactics to Promote Advisor Practice in a Post-Pandemic Era

WealthManagement.com
2021 Industry Awards
Finalist

By Matt Kerr
KEEL POINT

As the country reopens, everyone is excited about reclaiming their lives and routines. However, in our urgency to revert to what most call "the new normal," advisors should be careful not to ignore the lessons learned from the quick actions we all made to keep our businesses operating. The ability to connect with people is key to running an advisory practice and continuing to do so digitally has dramatically changed how growth-oriented advisors and their clients view their businesses—particularly with respect to marketing.

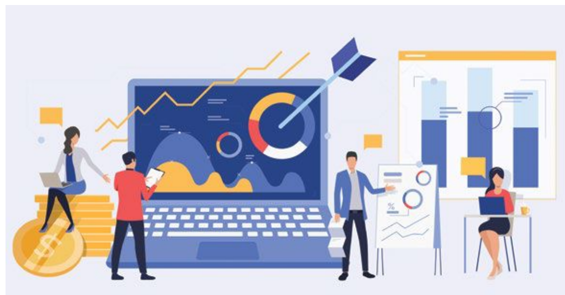
Even before the pandemic, digital marketing was rapidly growing in importance in our industry. However, during the pre-pandemic era, it was difficult for many firms to allocate time and resources to try something new—especially, since traditional marketing strategies seemed to work fine. The pandemic shifted the landscape completely and traditional marketing strategies that relied upon in-person events became obsolete and were shut down. Anyone who wanted to continue marketing their practice was compelled to move to digital channels.

Digital marketing possesses two advantages relative to traditional strategies.

1. Traditional marketing often relies on the advisor to be in-person, and that strategy quickly runs into capacity limits. There are only so many events you can host and hands you can shake. Digital marketing can provide you with a larger marketing funnel, which allows you to focus your time and efforts on people who have already expressed an interest in the service that you provide.
2. Digital marketing can remove geographic boundaries, allowing you to reach prospects who would be unreachable with traditional marketing strategies.

According to a 2020 survey conducted by eMoney, 63 percent of respondents said insightful and educational content, as well as personalized messaging, makes an advisor's marketing stand out amongst competitors. Advisors who have experienced the most success with digital marketing are those who target a specific group of people and create content that is of interest to that group. Content-based marketing positions an advisor as a helpful resource with valuable insights rather than a sales-person with products.

Two potential tactics for advisors to utilize in their digital



marketing strategies are producing webinars and writing articles. If an advisor typically uses educational seminars in their marketing, adding webinars is a natural extension of their current strategy. Webinars allow you to expand your reach, and they can be highly scalable if you choose to record them.

Writing articles about topics relevant to your target audience helps answer questions that are important and positions you as an expert in these areas. These articles can be shared in multiple ways, for example, you could post them to a blog on your website, share them on social media, include them in an email newsletter, or all of the above.

If you pursue one of these strategies, consider enhancing it by using paid ads on social media to promote your webinar or article. These ads can place your content in front of people who otherwise would not have found you—further expanding your marketing funnel outside of your current network.

Our industry has long relied on in-person events as an important way to build relationships. However, for growth-oriented advisors, digital marketing will need to be a core component of their marketing strategy going forward and if there's anything the last year has taught us it's to act fast and work strategically to make our businesses standout. ■

Matt Kerr is Senior Wealth Advisor at Keel Point.

Learn more at www.keelpoint.com.

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Post-Pandemic Outlook: Faster Innovation and Resiliency Driven by Workflow Automation

WealthManagement.com 2021 Industry Awards Finalist

By Linda Ding
LASERFICHE

In the post-pandemic world, many RIAs anticipate remaining virtual in some capacity. To stay competitive and scalable, deploying workflow automation with agility is now a must-have digital strategy to ensure quality client services and employee engagement. How to build out a sustainable tech stack is at the forefront for all firm owners.

The sudden transition to remote work last year proved that employees could get work done anytime and from anywhere. The increased client expectations for a faster and better digital experience further accelerated advisors' needs in digital tools that are responsive and customizable and requiring little IT resources while being compliant and secure. These needs have given rise to digital innovation in workflow automation. One of these key areas of innovation is a low-code and no-code approach to workflow development, which includes intuitive "drag-n-drop" design and deployment of niche and personalized workflows.

Because RIAs don't have sufficient IT resources, they need simple ways to develop the workflow automation. This design approach to solution design significantly cuts back on coding languages by using visual interfaces and intuitive drag-and-drop features. It allows RIAs to deploy sophisticated applications without the intensive IT development resources. Traditional ways of developing applications can take several months—for testing, debugging and deploying into an enterprise environment. For the speed of today's business, changing customer expectations and the unpredictability of markets, that timeline is no longer sufficient. The drag-n-drop approach to workflow automation helps advisors streamline their operations and optimize their services to clients with greater agility.

For example, many advisors struggle to meet ever-changing compliance expectations. The drag-n-drop approach allows RIAs to design a streamlined compliance procedure, which easily reinforces secure practices like limiting access to sensitive information through roles and allowing for the generation of ad-hoc audit reports across documents and processes. This eliminates the need for dozens of spreadsheets and makes it easier than ever for advisors to service their clients from anywhere.

Agile workflow also helps eliminate siloed applications, drives better adoptions, and optimizes operational efficiency across the firm. Instead of having the advisor and client service teams deal with multiple shared drives, file sharing

applications, and spreadsheets, agile workflow tools such as Laserfiche Forms and Workflow Automation facilitate client data intake, compilation of application documents, and digital approval and info updates in CRM, thereby creating one streamlined process. Advisors can now step into a single unified environment and start serving clients. For example, RSM Wealth Management has showcased the successes of utilizing a low-code approach to integrate Laserfiche with its CRM. The company had already expanded its tech stack prior to the pandemic by launching Microsoft Dynamics with a Salentica overlay. The integration further eliminated manual processes and allowed for a more unified approach to work. As we exit the pandemic, RSM is ahead of the efficiency curve and saved over 73,000 documents in just few months.

Enhancing workflow automation efficiency has never been more important for RIAs. Advisors can increase their technology adoption with intuitive solution design, streamlined processes and secure access to relevant data that allow them to get the job done faster. Different vendors have different approaches to workflow automation development. By evaluating a variety of factors including intuitive design features, platform reliability, APIs, and how systems handle metadata, RIAs can make the right workflow automation decision for their firm. ■

Linda Ding is Senior Director of Strategic Marketing at Laserfiche.

Learn more at www.laserfiche.com.

Unified Managed Households are Making Wealthtech Fun Again

By Steve Zuschin
LIFEYIELD

If you have tuned out all the wealthtech hype, now is the time to pay attention.

I have a front row seat to the incredible tech advances underway. I work with the people who make the technology you use now. And wait until you see what's on its way. Firms are thinking big in a way that is new and exciting. The near future is about coordinating wealthtech solutions for the greatest possible impact to significantly enhance client outcomes and advisor success.

"But wait," you might say, "haven't we heard this before?"

It's true, tech vendors have talked about integrations for years, each deeper and more seamless than the last. But most integrations are boring - things like single sign-ons and bi-directional data feeds. These save time. They cut down redundant manual entry.

And these are important, but only first steps. Here's what I mean: as recently as 2019, we were excited when custodians developed digital account opening tools. It was a huge deal to automate a paper-bound onboarding process that used to take days. But how exciting is a digital signature to a client in 2021?

Is that as impressive as whipping out your iPhone and signing up for an Apple Card? Or trying your luck with a retail investing app? These might not be fair comparisons, but this is what we're up against. While other industries move fast and break things, we have been trying to catch up to consumer expectations of what tech can do for them.

The past 10 years of wealthtech development have helped us build all the pieces of the puzzle. Now we're getting to the fun stuff: putting it all together. The big names have different ways to describe their wealthtech endgame, but the term we have heard most frequently is the "unified managed household."

UMH platforms look at a full household of client accounts. They pull from a collection of insights and analysis performed through tightly-integrated software to show the advisor and client the way toward better outcomes. They do this by considering all the ways the levers of improved outcomes can be leveraged: cost, risk, tax, and Social Security timing, and finding the best next step for the client and the advisor to win.

Then the next step. And the next. And so on.

The UMH is not a new idea. Len Reinhart, a founder and early champion of advisory programs wrote about this in a 2002 white paper. But to get here, we had to wait for technology to catch up. But now we're finally seeing UMH emerge from theory into practice, and not a moment too soon. The Schwartz Center for Economic Policy Analysis estimates 1.7 million additional older workers were forced into early retirement by COVID-19. Within the next three years, the Alliance for Lifetime Income expects 12,000 Americans will reach retirement age every day. Our most important and growth-generating work, for the next several years, will be to help retiring Boomers disentangle a lifetime of complex, messy assets and chart withdrawal strategies to make their money go as far as it can.

This is where wealthtech is headed. The retirement crisis is the driving force behind a lot of the software integrations underway. The innovation being unleashed will change a lot of lives for the better. ■

Steve Zuschin is EVP of Enterprise Technology Adoption at LifeYield.

Learn more at LifeYield.com.

Midyear Outlook 2021: Picking Up Speed

WealthManagement.com 2021 Industry Awards Finalist

By LPL Research
LPL

In the first half of 2021, the U.S. economy powered forward faster than nearly anyone had expected, thanks to widespread vaccine distribution and ongoing fiscal and monetary stimulus. Speed can be exhilarating, but it can also be dangerous. Traffic becomes a test of nerves. Turning a sharp corner creates added stress on drivers. Tires wear, and engines can overheat. LPL Research's Midyear Outlook 2021: Picking Up Speed reviews the risks and opportunities of the still-young recovery and what it may mean for the economy, stocks, and bonds over the rest of the year.

For example, the growth rate of the U.S. economy may have peaked in the second quarter of 2021, but there is still plenty of momentum left to extend above-average growth. Despite the natural challenges of ramping back up, the recovery still seems capable of providing upside surprises. We expect 2021 to be the best year of economic growth in decades and believe above-average growth can extend well into 2022.

We continue to watch inflation closely, but believe recent price pressures are transitory and will begin to work their way off gradually later in the year. The average U.S. expansion since World War II has lasted an average of five years and much longer over the last few decades. There's nothing on the horizon to indicate the current expansion can't reach that mark.

The economy was supported through the pandemic by more than $5 trillion in fiscal stimulus measures and extraordinary support by the Federal Reserve. Policy will take a back seat in 2021 as reopening and private sector growth replaces stimulus checks. The biggest policy risk may be around taxes, with businesses and wealthy households both facing the prospect of a higher tax burden to pay for an ambitious policy agenda. Historically, higher personal tax rates have had only a modest impact on markets, but higher corporate taxes would have a direct impact on earnings growth, potentially limiting stock gains.

For stocks, the second year of a bull market is often more challenging than the first, but historically still usually sees stocks climb higher. We expect the strong economic recovery to continue to drive strong earnings growth and support further gains for stocks. However, after one of the strongest starts to a bull market in history—including a more than 90% gain off the March 23, 2020 lows through the first half of 2021—stock prices reflect a lot of good news. As inflationary pressures build and interest rates potentially rise further, the

pace of stock market gains may slow.

High-quality bonds have had a tougher time in the early recovery as interest rates have moved off historically low levels in the first half of the year. We believe interest rates can still press higher, supported by higher inflation expectations, the strong economic recovery, and a record amount of Treasury issuance this year.

Such a move would leave core investment grade bonds near flat over the rest of the year. Nevertheless, bonds still can play an important role in a portfolio as a source of income and diversifier during equity market declines and should not be neglected.

With the pace of recovery creating both opportunities and risks, *Midyear Outlook 2021: Picking Up Speed* was designed to help navigate the twists and turns of the road ahead, while building on the thoughtful planning and sound financial advice that help keep investors on the road toward their financial goals. ■

Learn more at www.lpl.com.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. The economic forecasts set forth in this material may not develop as predicted. Investing involves risks including possible loss of principal. No investment strategy or risk management technique can guarantee return or eliminate risk in all market environments. All indexes are unmanaged and cannot be invested into directly.

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LPL Financial

Fed's Massive Stimulus is a Gift for the Economy and Equity Investors

By Ariel Acuña
LTG CAPITAL

The Fed has begun to discuss when to begin to backing off the extraordinary liquidity it has provided the U.S. economy since late May, 2020. Additionally, the Fed moved forward from 2024 to 2023 the timing of Fed Funds rate hikes.

This news caught the equity and bond markets somewhat by surprise and signaled the beginning-of-the-end of "pedal to the metal" liquidity by the Fed. It's important to note that, to date, the Fed has done nothing other than signal its future intentions in the face of a fast-growing economy and inflationary pressures.

This is all good news. The economy is beginning to show signs of life after its engineered shutdown last year, and unemployment is going down, although it still has quite a way to go. Additionally, even though the Fed has signaled its intention of withdrawing liquidity, it has years to go before it has fully paired back liquidity to a modestly accommodative level.

It's important to remember that the Fed is loath to completely and instantly, on a moment's notice, turn off the liquidity spigot. This is especially relevant now in that the Fed wants to get the economy and especially unemployment back to pre-pandemic levels. In hopes of creating upward wage pressure, the Fed has stated that it wants the economy to run hotter than the 2% target growth rate—especially for those workers most severely affected by the economy's shut down last year. These workers not only lost out on wages last year but they financially regressed back to where they were a decade ago.

Appreciation on the horizon

So, what does the above backdrop mean for equity investors the next few years? At LTG Capital, we believe it's an outstanding time to be fully invested in a broadly diversified equity portfolio in general, but we also recommend a more dynamic, alternative investment strategy such as our flagship Aqueduct Strategy. Regardless of recent Fed comments, the wind is clearly still in the economy's sails. The foot is still firmly on the gas. The Fed spoke but did nothing to change the Fed Funds Rate; neither did the Fed taper its bond buying program. For long-term, growth-oriented investors, the current trend definitely remains positive for the near term and next year.

In general, we at LTG Capital believe that it is always a good time to be fully invested in equities since the historical probability of having an up market year in any year is so high. However, in environments like the current one, with fiscal and monetary stimulus at unprecedented heights, the probability of economic growth and stock market appreciation are even more heavily tilted to the positive. This isn't to say that there won't be temporary setbacks along the way but now is certainly not the time to sit on the sidelines. Now is the time to fully embrace the gift that massive stimulus bestows on the economy and investors through stock market appreciation. ■

Ariel Acuña is principal of LTG Capital and the creator of The Aqueduct Strategy, which is available to RIAs and IARs on Fidelity's Separate Account Network.

Potential Problems with an 18% Rate of Return

Wealth Management.com
2021 Industry Awards
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By Brad Jenkins
MARKETGUARD

If I told you that you would make an 18% return on your investment for the year, would you be happy? How about ecstatic? I would not be surprised. However, despite appearances, this level of return might not actually be as great as it sounds. Allow me to explain.

The ticker symbol SPY returned an 18.4% annual return in 2020. A large number to be sure but, for the wise investor, it should also draw some questions. For starters, what part of the market are these returns coming from? Can this performance be replicated? Is this a new normal? Let's take a closer look to find out.

In 2020, the U.S. stock market experienced the fastest drop to -30% in the history of the market. Consequently, there was also a worldwide market crash with 30+ million people on unemployment, GDPs at -30% and, to top it all off, you could not even buy toilet paper! Of course, soon the market "recovered" with one of the fastest rebounds on record. So, what happened?

Top 5 Nearing Their Own Quartile

Source: Charles Schwab, Bloomberg as of 8/21/2020. Past performance is no guarantee of future results

To find our answer, let us look at the S&P 500. This Index can be dissected into various sub-asset classes, such as Value and Growth. In 2020, Large Cap Growth (ticker symbol IVW) was positive 33.19%. However, the majority of IVW's performance came from only five stocks: Apple, Amazon, Google/Alphabet, Facebook, and Microsoft. How could this happen? Looking closer, the annual stock price increase for these companies ranged from 30%- 82%. This dominant growth, coupled with their significant weighting within the index, allowed these five stocks to practically represent their own quartile when assessed in cap-weighted terms. This is astounding! Furthermore, when you consider that other companies within the Large Cap Growth sub-asset class, such as Zoom and Tesla, also experienced tremendous gains that registered at over 300%, one begins to see a picture of incredible growth, focused into only one sector of the market.

You may be thinking: "So what? What's wrong with strong returns?" Nothing. They are not the issue here. No, the problem resides in investor expectations. Think about it.

If an investor was using a tactical asset allocation strategy that was designed to mitigate risk during times of extreme volatility, should they expect to match the performance of a buy and hold type approach? Of course not! Yet, they do as most investors see only market performance and, most importantly, their participation in it. It is this mindset that can turn a sound defensive approach to portfolio management into a failure, even when it may have achieved its goal decisively!

This being the case, we strongly believe that when determining portfolio success, an investor must understand their risk tolerance as well as how it correlates to their financial goals. Furthermore, it is this correlation that should determine their strategy and, most importantly, their expectations moving forward. By ensuring that these two aspects are linked, then no matter how wild the market gets, their judgement will not be clouded. It is through this management of expectations, that long-term portfolio success can be achieved, no matter the environment. ■

Brad Jenkins is Chief Investment Officer and Portfolio Manager of Market Guard.

Learn more at www.MarketGuard.com.

Sources:
- Stated Returns: per yahoo finance and etfreplay.
- Charles Schwab High Hopes: S&P 500 Hits All-Time High Amid Pandemic/Recession: August 24, 2020

Disclosure:
Brad Jenkins is the owner of Market Guard™ a SEC Registered Investment Advisory firm, CRD # 153241. This material is for informational purposes only and not a solicitation or recommendation to buy or sell any product or security.

MARKET GUARD™
THE POWER OF KNOWING

Emerging Markets Equities Poised for Strong Earnings Rebound

MATTHEWS ASIA

In response to a series of questions, Portfolio Manager John Paul Lech provided the following market insights.

As the economic recovery continues to broaden out, how do you see the emerging markets?

At the moment, one area of concern we have is that valuations have risen across asset classes including emerging market equities. However, there are still many great companies—characterized, in our view, by both their quality and adaptability—across emerging markets where we believe valuations are supported by fundamentals.

In general, emerging markets do well when global demand is rising and when local currencies are strong. There are reasons to believe both of those conditions are present right now. First, the world is coming out of a synchronous slowdown caused by the pandemic and while some geographies may recover faster than others the general direction of travel, in our view, is positive. Second, many large central banks within emerging markets have already started to tighten, which is supportive of currencies. Finally, the specter of higher inflation tends to bode well for commodity prices, which benefit certain geographies. The transient vs. structural nature of inflation can be debated, but aggregate demand appears to be coming back. The investable universe of emerging markets, however, is typically more influenced by tech than commodities. Within both the U.S. and emerging markets, the initial market rebound back in 2020 seemed to emphasize growth at any cost, which has reversed now. In general, we are seeing a rotation favoring concrete growth or more quality growth. It's healthy that market performance broadens out a bit. In our view, the market favors a flexible approach, not a dogmatic factor-based one.

Where are you seeing opportunities in emerging markets?

The past year has been extremely volatile. Looking back to May 2020, we were in the middle of a global pandemic. At the time, most experts believed we'd get a vaccine eventually with probably 50-60% efficacy and no one knew when vaccines might be available. By November, we had several options with higher efficacy, which is remarkable. We saw pronounced changes to consumption patterns, the acceleration of existing trends and a sea of liquidity unleashed by central banks and government policy makers. It remains to be seen how lasting everything is in the next normal. There have been false starts to reopening but emergence to the next normal seems increasingly likely. As we've gotten closer to whatever that next normal is, we've widened our approach which has led us to themes like tourism or real estate which complement some of the themes that have been present in our portfolio throughout, like e-commerce.

We are looking for companies that can adapt and thrive across a broad range of conditions, so our approach to identifying good companies has remained consistent. There are five key attributes of companies that we generally like. We call these the "Five Cs"—competitive position, capital allocation, capital structure, cash flow and character. These attributes help us determine whether the business is being run appropriately for the long term, including for shareholders like ourselves who are not in a control position. The year 2020 taught us that things can change in ways that aren't easily forecasted or perceived, and underscored the importance of the quality of companies' business models and management teams. So our focus is really on quality companies who are capable of managing the volatility that is inherent in emerging markets economies.

In looking at our investment universe, we have asked ourselves which companies would either benefit or see their business not disproportionately impacted by the global pandemic. That led us to a few sectors where we saw natural acceleration in the businesses—e-commerce, for instance, or certain software providers. The key now is to sort those companies into the ones whose competitive advantage was changed in a catalytic, structural sense versus those who saw a transitory increase in revenues.

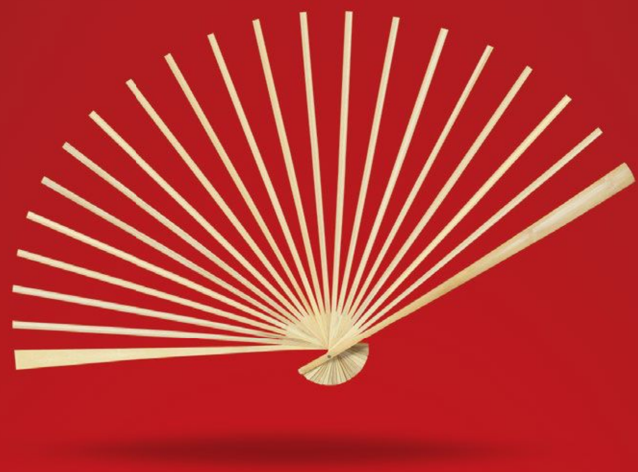
What is your outlook for emerging markets?

We believe 2021's recovery in asset prices will continue to favor emerging markets and Asia and that the fierce rotation into cyclically oriented names will slow substantially in coming months. The surge of U.S. Treasury rates was largely fueled by news of potential U.S. stimulus, surging commodities (metals and oil) and fears of inflation. I expect the across-the-board increase in commodities may abate as supply pressures ease. The pace of U.S. Treasury rate increases should slow substantially, in our view. We do not expect that large developed market central banks will hike policy rates in a meaningful fashion, leaving only select emerging market central banks to increase rates, such as Turkey and Brazil. Therefore, as inflation fears dampen in the second half of 2021 and U.S. rates stabilize, we expect Asian and emerging markets risk assets to revert back to fundamentals, reflecting a strong earnings rebound expected in the 2021-22 period, allowing for growth stocks perform well and cyclical stocks to separate into those who deserve to climb more and those who don't have structural fundamentals. ■

It remains to be seen how lasting everything is in the next normal. There have been false starts to reopening but emergence to the next normal seems increasingly likely.

John Paul Lech is a Portfolio Manager with Matthews Asia.

Learn more at www.matthewsasia.com.



Mid-Year Outlook for Cash

By Michael Halloran
MAXMYINTEREST

The Federal Reserve's policy of keeping short-term rates near zero has made it challenging for advisors to find any meaningful yield on cash or other short-term fixed income instruments.

Sweep accounts offered by major brokerage and custodians pay a paltry one basis point, or one one-hundredth of a percent (0.01%). Government Money Market Funds aren't much better, with most paying just 1-2 basis points, net of 10-30 basis points of fees.

CDs lock up client funds, yet don't provide much premium for this lack of liquidity. While clients might pick up higher yield by investing in short-term bonds, that yield comes with incremental risk. The reality is that most client cash is sitting idle losing real value to inflation each day.

Yield Changes from 2019 - Present

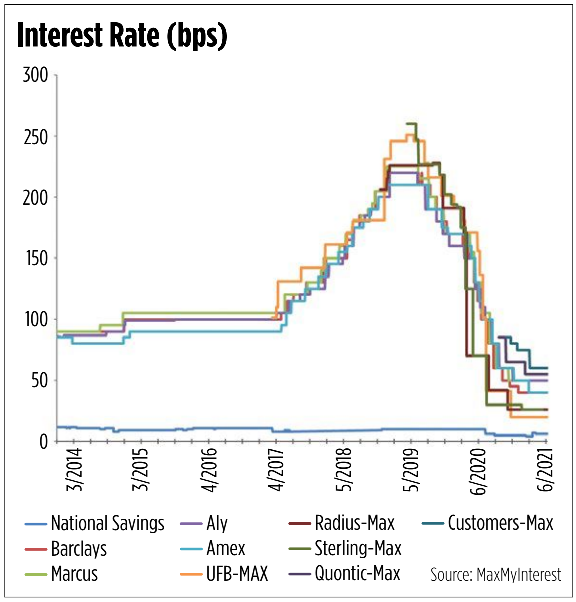
Just a few years ago, investors could earn over 2.5% on cash in high-yield savings accounts from online banks. While rates are now lower on an absolute basis, today online banks are providing significantly more yield than money market funds or brokerage sweeps. As a result, it could be time to re-examine client cash to see where it could be earning the most.

Notwithstanding today's low-rate environment, it's striking that cash is the one asset class that offers advisors an opportunity to pick up 55-60 basis points of 'alpha'—incremental return without taking on incremental risk.

The Only Game in Town

Some advisors have noted that in the current rate environment, high-yield savings accounts are "the only game in town." Investors are benefitting from higher yields simply by transferring funds from lower-yielding options into high-yield savings accounts, which offer the safety of FDIC insurance. Advisors can help them take advantage of this opportunity by helping them open multiple online savings accounts to maximize both yield and FDIC coverage.

As of June 2021, the yields on high-yield savings accounts were as high as 0.60% APY, ten times the national savings average of 0.06%—and 60 times a typical government MMF or brokerage sweep. While half a percent may not sound like much, compounded over many years, it can be meaningful. After all, if a client was considering two similar funds, one with an expense ratio of 0.70% and the other charging only 0.20%, wouldn't you recommend the less expensive fund? Similarly, why allow your clients earn only 0.02% on cash if they could be earning 0.52%?



Mid-Year Outlook

Predicting interest rate changes is notoriously difficult, and the interest rates paid by banks on deposits change all the time, even in the absence of any action being taken by the Fed (see chart above). As the economy continues to re-open, we expect greater loan demand and, in turn, greater demand for deposits from banks. This should start to push rates higher again as we move into the fall of 2021 and early 2022.

Taking Action

Even though rates are historically low, it's worth paying attention to what your clients earn on their cash. Taking action to help your clients find higher rates is a great way to add value between now and year-end. ■

Michael Halloran is head of business development and partnerships for MaxMyInterest, a platform that helps financial advisors and their clients earn more on FDIC-insured cash.

Learn more at MaxForAdvisors.com.

MAX® your best interest.

How to Double your Assets Under Management Without Adding Any Clients

By John Bair
MILESTONE CONSULTING

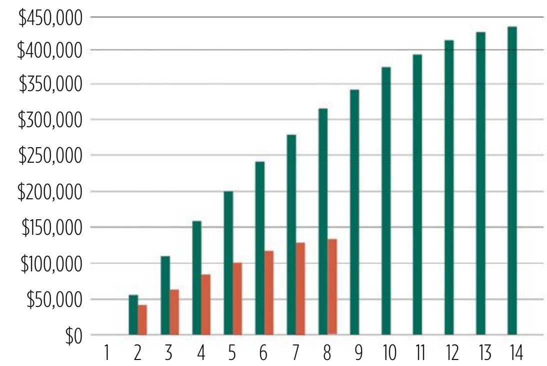
If you're a financial advisor with attorney or plaintiff clients, you already know how valuable they are to your practice and assets under management (AUM). But as planning for settlement and attorney fees evolves, so must your practice. The key is understanding how investment-backed structures work. Through structured arrangements, you can set your clients up with tax savings and greater growth, offer the latest strategies to potential clients, and stay ahead of your competition.

"Structure" is an overarching term for settlement proceeds that someone receives as a periodic payment obligation. The IRS allows plaintiffs to turn a lump sum settlement into a series of guaranteed payments according to a set schedule, helping them plan long term. Likewise, attorneys can set up a similar arrangement with their contingency fees while spreading their tax burden over time. When placed into a periodic payment obligation, funds can grow tax exempt or tax deferred. This arrangement can result in hundreds of thousands of dollars more for the client due to pre-tax funds, double your AUM, and guarantee that your clients' funds remain invested with you well into the future.

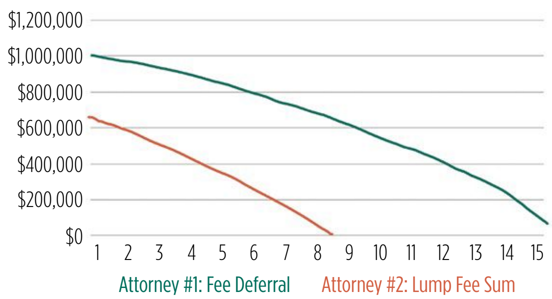
Here is a basic example featuring an attorney and his client. Let's say a $3 million case settles. The plaintiff receives $2 million, and the attorney receives a $1 million fee. The client chooses to place the full $2 million amount into a structure, backed by an investment account with you. She chooses a payment schedule that pays $100,000 out of the account annually. The account grows by six percent, and your fee is one percent. Therefore, the $2 million grows by $120,000 per year, of which the client sees $100,000 in growth. The structure is merely paying out gains. And since it is a periodic payment obligation arising from a personal injury settlement, the payments AND the growth are tax-exempt.

The attorney also places a structure backed by an investment account with you. He chooses a payment schedule that will pay $100,000 out of the account annually after the funds are left to grow for 10 years. Let's say the account grows by six percent, and your fee is one percent. Therefore, the $1 million grows by $60,000 per year, of which the attorney sees $50,000 in growth. This is compounded upon itself for 10 years. Since periodic payment obligations push out the date of receipt, the growth is tax deferred in the meantime. Instead of the original $1 million being taxed at a high rate, the client can snowball the tax deferred growth and receive the funds over time, allowing him to remain in a lower tax bracket. It is also worth noting that the amount invested upfront will almost double, as it is pre-tax money—translating to greater AUM for you.

Deferring a $1M Fee Yields Over 3X Total Growth



Without Tax Implications, Deferring $1M with $100K Annual Withdrawls Lasts Twice as Long as a Lump Sum



With an investment-backed structure, investment options are endless. The periodic payment obligation, while fixed, is customizable to any fixed equation. The tax savings and growth advantages are significant. With how competitive the financial planning industry is, don't cost yourself a big client by only offering traditional wealth management solutions. Explore structured arrangements for your attorney and plaintiff clients today to help both your and their bottom lines. ■

John Bair is Founder and CEO at Milestone Consulting.

Learn more at milestoneseventh.com.

milestone

Nominal Dollar Interest vs. Real Gold Interest

Are your clients happy with their dollar fixed income investments?

By Keith Weiner
MONETARY METALS

Fixed income investing has become something like exercising on a stair climber—you're exhausted but you haven't gotten anywhere. Why?

Yields have been falling for four decades. While interest in the U.S. dollar has not gone negative yet, it has for the Swiss franc, the euro, the pound, and the yen. Despite recent talk by the Federal Reserve, interest rates are likely to stay well below historical levels. The 10 year Treasury yields 1.5% at the time of writing this, "up" from an all time low of 0.53% in August, 2020.

It gets worse though. Consider that the U.S. dollar has long been subject to debasement by the Federal Reserve. Its policy is to seek 2% dollar debasement per year, but it may sometimes overshoot. This is commonly understood as inflation risk. Thanks to inflation, not only is that 1.5% interest you earn losing value, but your dollar principal is likely to be worth less at maturity than when first invested.

This is significant. Advisors will have a difficult time defending a decision to keep bonds in client portfolios with such low yields, and inflation risk.

Investors are already seeking alternatives due to the risks outlined above. What strategies can advisors offer?

A common response to the low-rate challenge is to take on more risk, i.e. invest further in equities, real estate investment trusts (REITs), junk bonds or maybe even crypto-currency. But this is not always suitable, especially for older clients or anyone else who cannot afford risking loss of principal—one of the main reasons they are attracted to fixed income investing.

An Alternative - Gold Fixed Income

There is an alternative that addresses the concerns outlined above—Gold Fixed Income. The return of the market for interest on gold (yes, there is a market where investors can earn interest on gold) gives investors an alternative to the zero-interest rate policy and currency debasement by the Federal Reserve.

Gold is not subject to debasement by central banks. By contrast to interest on dollars, interest on gold does not have to be adjusted for inflation. If you earn 3% on gold, you have a real 3% gain. And because gold has proven to retain its value over long periods of time, your principal remains secure as well.

- Gold is not subject to debasement by central banks
- Interest on gold does not have to be adjusted for inflation
- Gold retains its value over long time periods
- Interest on gold is an alternative to ZIRP (zero interest rate policy)
- Gold has a low to negative correlation to equities

Moreover, like bonds, gold has a low to negative correlation to equities. See the following table.

Asset Class	US Market Correlation
S&P 500	1.000
10 Year Treasury	0.013
Gold	-0.014

Source: Data collected from each asset class from 1972 to 2021.

Low correlation between asset classes is the core of an effective diversification strategy. This makes gold a strong candidate to effectively diversify a client's portfolio of assets. We take a deeper drive into the potential role of Gold Fixed Income in client portfolios in our white paper The Case for Gold Yield in Investment Portfolios.

Gold Fixed Income addresses the problems ailing fixed income investors today. For advisors who want to retain fixed income assets in client portfolios, and who may be considering gold as well, it could prove an effective alternative. ■

Keith Weiner, Ph.D., is the CEO and founder of Monetary Metals and the author of The Supply and Demand Report—a timely publication analyzing the fundamental and speculative forces driving precious metals prices. He's also featured in The Gold Exchange Podcast—a biweekly exploration of all things money, markets and macro.

Learn more at www.monetary-metals.com.

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How Wealth Advisors Can Stay Relevant in Changing Times

By Ramanathan Srikumar
MPHASIS

Wealth advisors have always had a vested interest in keeping a close eye on market conditions. This is not surprising. Accumulating and growing investor wealth whether through the services of financial services institutions or independent wealth advisors, is an outcome of leveraging timely and tactical advice on conducive market conditions and tracking of portfolio performance.

Never in recent years has this aspect of wealth management been more relevant or important. Due to the pandemic and its initially volatile impact on markets, wealth advisors are more aware than ever before of the urgency to understand their customers' immediate and evolving needs.

Customers now expect to receive more frequent, interactive, iterative, and personalized advice. For example, up to 82 percent of wealth investment clients expect an improvement in their advisor's online capabilities over time. Early new tech adopters who have an average net worth of USD 5.82 million expect everything, including wealth advice, available at the tap of a button, anytime and from anywhere. Investors from the mass affluent segment want access to interactive and real-time wealth planning tools and platforms.[1]

Wealth advisors are preparing for this switch by adapting to a few key changes and the adoption of digital tools and platforms in this context is gaining importance.

Consider the fact that between now and 2060, it is estimated that about USD 50T will change hands[2]. This is being projected as the largest aggregated transfer of wealth ever in history. Wealth managers who want to either acquire or keep this generation of clients will have to adopt digitization. According to a recent survey, financial advisors who adopted digital tools have seen up to 77 percent increase in client retention.

The benefits of digitization stretch far beyond just client acquisition and retention. Even with entire populations vaccinated, the accepted advice to prevent further spread of infection and to stay safe is to minimize extended in-person interactions. In this scenario, clients both old and new will be looking even more than before for improved, interactive, and safe user experiences, self-service workflows, and greater use of AI and machine learning to assess and quickly rebalance portfolios.

Whether due to the insecurities brought on by the pandemic or familiarity with advanced tech in other aspects of their lives, it is no surprise that the top request from up to 50 percent of investors from their wealth advisors is real-time analysis of portfolio performance. Parallelly, about 34 percent of ultra-high net worth individuals or UHNWI say open architecture in a tech platform would be the feature to most boost its desirability from wealth advisors.[3]

Yet, none of this means that the human element in wealth management has lost its scope or relevance. It only means that going forward, wealth advisors will do well to offer a hybrid model where digital tools and platforms provide clients with interactivity and self-empowered access to visual data in real-time while the advisors provide higher function, value-added services through in-person or virtual meetings. ■

Srikumar Ramanathan is Senior Vice President, Head Portfolio Group, at Mphasis.

Learn more at www.mphasis.com.

1. *insight.factset.com/covid-19-accelerator-of-the-digital-transformation-in-wealth-management*
2. *www.cbinsights.com/research/wealth-management-tech-post-covid-19/*
3. *https://insight.factset.com/covid-19-accelerator-of-the-digital-transformation-in-wealth-management*

How Long Could the Current Rally Run?

Wealth Management.com
2021 Industry Awards
Finalist

By Mark Hackett
NATIONWIDE

U.S. stock markets surged to record highs in the first half of 2021 as vaccine optimism and momentum behind the re-opening of the economy helped investors overcome concerns about rising inflation and interest rates. Stock investors remained remarkably resilient, adopting a "glass half full" mindset on the improving economic picture.

Many tailwinds for the equity rally remain in place heading into the second half of the year, including accelerating growth and rising corporate profitability. However, much of this good news is already priced into current valuations. Given the reliance on fiscal and monetary support, the primary risks to the market are those that could alter these policies, specifically inflation and interest rates.

What's been notable about stocks' rally so far this year is the shift in market leadership. Large-cap tech stocks fell from favor over the last six months and small caps outperformed. Value stocks outpaced growth in the first half of 2021, mainly due to the explosion in prices for nearly all commodities, from lumber to gasoline. Commodity price inflation has largely benefited cyclical market sectors such as energy and materials.

Flows into stock funds have come in at a scorching pace so far in 2021. Households increased their equity holdings to 41% of total financial assets, the largest percentage on record dating back to 1952. Investors really have had no choice in how to allocate, given still historically low bond yields and the tightest investment-grade credit spreads since 1997. Investor sentiment surveys reached levels of extreme optimism in April but have since turned more neutral and receded from their earlier peaks.

Bond fund flows remain positive but are coming in at a slower pace than in previous years. Rising long-term rates have led to negative returns for many fixed-income instruments, so it's uncertain how bonds investors will react to negative returns in these investments.

"Don't fight the Fed" is a familiar adage among market participants, but this year could be replaced by "Don't fight D.C." We are in the midst of a sugar rush thanks to ongoing monetary policy support from the Federal Reserve and fiscal support in the form of stimulus checks and enhanced unemployment benefits. It's unclear, however, if this momentum can be sustained if and when fiscal and monetary support fade.

Inflation is climbing, with supply chains tight and pricing power improving, but the Fed appears convinced that the broader impact on the economy is transitory. If inflation pressures become more pervasive, the central bank could be forced to taper asset purchases and/or raise the Fed Funds rate sooner than they would like.

With increased inflation expectations, interest rates also rose in the first half of the year. Higher interest rates are likely to put pressure on the federal budget, which has seen debt grow from under $12 trillion at the end of the 2007-09 financial crisis to over $22 trillion by the end of last year. This increase has been largely masked by the low-rate environment, but rising rates are likely to "crowd out" other spending.

Higher heights seem to be the path of least resistance for stocks going forward, though the gains seen over the past year are unlikely to continue due to elevated valuations. Valuations don't necessarily signal an imminent correction, but higher valuations are more likely to limit intermediate-term returns. ■

Mark Hackett, CFA, CMT, is Chief of Investment Research at Nationwide Investment Management Group.

Learn more at www.nationwidefinancial.com.

See disclaimers here.

Nationwide®

The Year is on Track for V.A.L.U.E.

By Chuck Etzweiler
NEPSIS

The long-disputed growth versus value investing has heated up again. Typically, value investors buy stocks considered undervalued based on such factors as earnings, sales, cash flows or book value. Banking on future growth of a company, growth investors prefer stocks anticipated to deliver better-than-average returns. At Nepsis, we challenge an either-or option. Instead, we cultivate a well-diversified asset allocation of small-cap, mid-cap and large-cap, domestic, international and emerging markets, in both growth and value categories.

However, after a decade of dramatically underperforming growth stocks, value stocks look poised to outperform. Historically, when the economy is buoyant based on increasing employment, modest inflation, fiscal stimulus and accommodative monetary policy, value tends to outperform growth.

What does this mean for investors through the remainder of 2021?

In an attempt to better explain the construction of our portfolio models for any given calendar year, we develop an acronym that describes various sub-themes that need to play out in order for our thesis to come to fruition. The theme for 2021 is VALUE.

V.A.L.U.E.

Vaccine distribution, execution and efficacy will be vital for the capital markets. For the sake of society and for commerce to function properly, the markets must have confidence in ongoing vaccine management and outcomes. We use the official Centers for Disease Control (CDC) website for statistics on the distribution progress.

Alternatives to fixed coupon bonds, or Floating Rate Bonds, tend to outperform in a rising rate environment. We believe that bond investors underestimated the strength of the recovery and the effect that fiscal and monetary stimulus would have on economic growth. This left rates abnormally low for this point in the cycle. As of June 23rd, Floating Rate Bonds as measured by ticker FLOT are up +0.26% vs. Long-term US Treasury Bonds as measured by TLT, which have a return of -8.62%.

Laggards are sectors that underperformed in 2020 but have become outperformers in 2021. Financials, Consumer Cyclicals and Industrials are now on a percentage basis, our second, third and fifth largest contained in our models. Financials as measured by the ticker XLF Index are up

+25.01% vs. the S&P 500 at +15.41%.

US Dollar, we believe, is in a decade of decline and requires a hedge to protect against purchasing power erosion. Several ways investors can protect themselves include owning commodities priced in dollars and by owning international stocks, while taking advantage of the currency translation effect. The Dollar as measured by ticker UUP is down -5.52% over the last trailing one year basis as of June 23rd. Commodities as measured by the DBC Index are up +53.34%for the 1YR-period ending June 23rd.

Earnings Growth is the ultimate guidepost for equity prices. Over the long-term, they typically appreciate at their earnings per share (EPS) growth rate plus the dividend yield, if paid. According to consensus analyst estimates as of June 23rd for calendar yearend 2021, EPS on the S&P 500 are expected to grow at a rate of +37% from $139 in 2020 to $191 for 2021.

It is our belief that rising employment, mild inflation, accommodative monetary policy and significant fiscal spending on infrastructure, should keep the 2021 economy on track to fulfill our V.A.L.U.E. theme. ■

Chuck Etzweiler, MBA, CIMA®, CMT is Senior Vice President of Research at Nepsis, Inc. He directs the firm's on-going research efforts.

Learn more at www.investwithclarity.com.

Are Clients Asking About Self-directed Retirement Plans? Here's What You Need to Know

By Jaime Raskulinecz
NEXT GENERATION TRUST COMPANY

Investor interest in alternatives has been growing, and your clients may benefit from holding alternative assets within a tax-advantaged retirement plan. These plans, also known as self-directed IRAs, allow individuals to invest in things they already know and understand—like real estate, private equity, notes, precious metals, and more. These non-publicly traded, alternative assets, are not allowed within typical retirement plans—and can therefore build a more diverse portfolio and hedge against stock market volatility.

What advisors need to know

Self-directed investors make all their own investment decisions—and may do so with guidance from their trusted advisor. With alternative assets projected to grow almost 9 percent by 2025, advisors who are well-versed on self-directed IRAs will be well-positioned to provide continued value (and a competitive advantage) to savvy clients who choose to pursue this strategy.

Individuals may self-direct a Traditional or Roth IRA. If your client is a business owner, they can self-direct a SEP IRA, SIMPLE IRA, Solo 401(k) plan or other qualified plans. Health Savings Accounts and Education Savings Accounts can also be self-directed. With this strategy, account holders realize the same tax benefits afforded to these plans and gain greater control over their return on investments.

Benefits of self-directing your IRA

With a self-directed IRA, informed investors can take a more creative approach to their retirement savings, with the same tax advantages of other retirement accounts. Additionally, alternative assets tend to offer more stable returns in the long term because they are non-correlated with market performance. They can also more nimbly respond to economic downturns or investment opportunities.

A broad array of alternative assets

The list of assets allowed in a self-directed IRA is broad and can include the following:

- Real estate
- Private equity
- Private lending
- Cryptocurrency
- Precious metals
- Social causes/impact investments

The only investments *not* allowed in self-directed IRAs are collectibles and life insurance policies.

All income and expenses related to the asset(s) flow through the IRA. The account owner, their spouse, lineal family members (ascendants and descendants) and their spouses, certain business partners, and other servicing members may not personally benefit from the asset or directly transact with the IRA; these are disqualified persons and engaging in a transaction with one of these individuals would constitute a prohibited transaction, which can jeopardize the IRA's tax-advantaged status.

Self-directed plan custody and administration

Self-directed retirement plans are administered by neutral third-party firms that provide account administration and transaction support services, and sometimes custody the assets through a state-approved and regulated trust company. These specialized firms understand the alternative asset markets, along with the unique processes, documentation, and regulations regarding self-directed investments. Therefore, it is crucial to have the assets held with a firm that not only knows how to file and manage the mandatory paperwork, but also provide information and education regarding IRS guidelines.

For those who are comfortable making their own investment decisions and conducting full due diligence about an investment, and who understand how to accelerate investment earnings through alternative assets, self-direction can be a lucrative strategy. Advisors who understand these plans and the assets they allow will be valuable to clients who self-direct—building credibility and preserving the client relationship—and may discover a powerful new wealth-building strategy for themselves. ■

Jaime Raskulinecz is founder and CEO of Next Generation Services and Next Generation Trust Company.

Learn more at www.NextGenerationTrust.com.

Ace the Basics: The Not-so-flashy Key to Success in This Industry

By Ed Deutschlander
NORTH STAR RESOURCE GROUP

At some time, every financial professional will ask, "Why do I do this?"

This year, we experienced more "why" moments than usual as we tried to navigate change and challenges at work as well as in our personal and family lives.

My hope is when the day-to-day has more questions than answers, financial professionals will know their long-term purpose: To serve and guide others as they start and stay the course to financial security.

We need to answer "why" to figure out "how"—how do we move forward when it seems everything is changing?

Many companies resort to trying to discover the "next big thing" in uncertain times, and yes, reinventing the way we do business is important.

However, at the end of the day, you aren't weathering hard years through just the power of technology.

The financial professionals who survive hard times and even thrive through them are the ones who have a maniacal focus on the fundamentals:

Grit

Grit is a demonstrated passion and perseverance toward a goal.

Every day that you wake up and do the best for your team and your clients regardless of what's happening in the market, you demonstrate passion and perseverance toward your mission.

You put in the hours and the effort to build your practice, and that endurance to grow is still there, ready to go to work for your full potential. That's grit.

Foundational values

In times of crisis, leaders face difficult decisions, and our mantra then becomes, "When values are clear, decisions are easy."

As the financial leader for your clients, seasons of uncertainty require you to live your values. You won't need to transform to manage crisis. You'll already be there.

Client-first, advice-based service

When the market fluctuates, everyone wants to know our predictions for the future.

Our job has never been about predicting the future, but about preparing for it. We aren't just in the investments or insurance business; we are in the behavior business.

The financial professionals who succeed through good and hard times are those who put the client first and ask them some of the most important questions for their life and legacy:

"What will this world look like one day without me in it?"

"What is the likelihood I outlive my money?"

When we help our clients answer these questions, we are throwing a life preserver out into fear, stress, and anxiety, creating a higher level of confidence and a sense of security.

This isn't just our job as financial professionals; it's our responsibility. Because if not us, then who?

For the rest of 2021 and for your career ahead, when you ask yourself, "Why do I do this?" I hope you answer well. Ultimately, this career isn't about the AUM, income, or accolades, it's about our responsibility to the client and to ourselves. ■

Ed Deutschlander, CLU®, CLF, is CEO of North Star Resource Group.

Learn more at northstarfinancial.com.

A Stumbling but Real Recovery

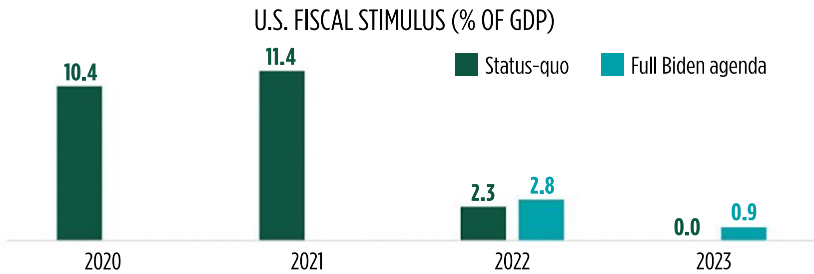
Wealth Management.com
2021 Industry Awards
Finalist

By Jim McDonald
NORTHERN TRUST ASSET MANAGEMENT

Investors are discovering that reopening a global economy is harder than shutting one down. The red-hot economic recovery is stoking pockets of supply and demand mismatches, which we think will create an uneven recovery. However, any growth disappointment helps reduce inflationary pressure, which supports our positive market outlook, in particular for value stocks.

Fading Fiscal, Rising Private Demand?

Plunging fiscal stimulus will need to be offset by rising private demand.



Source: Northern Trust Global Asset Allocation, Strategas. The fiscal year, for the years stated, ends September 30. Data is through September 30, 2023.

The market impact of COVID-19 is fading, as the vaccination rollout leads to economic reopening in the U.S. and Europe. The more positive outlook has even pushed countries such as India and Brazil, still struggling with the pandemic, into double-digit percentage equity gains. High savings rates, low current capital expenditures (suggesting more corporate investment for the future), and the ongoing reopening underpin investor confidence.

With economic growth in hand, investors are training their focus on the outlook for inflation. Recent inflation reports in the U.S. surpassed estimates by forecasters. Conventionally, that should lead to higher interest rates to cover for higher expected inflation, yet the 10-year Treasury yield fell through mid-June from the peak in late March. The Federal Reserve's view that current inflation is transitory apparently has convinced investors for now, and we agree that prices will settle down after the reopening-led surge.

If inflation doesn't upset the apple cart, what might? People have returned to work more slowly than expected, which constrains the growth outlook. Further, government stimulus—a key driver of the economic recovery to date—will go away, and organic demand must replace it. A failed transition would disrupt equity gains.

Yet occasional bad news about economic growth sometimes means good news for investors. A constrained growth outlook makes the Fed more likely to keep interest rates low and support financial markets. We view this "bumpy—but shock absorbed—recovery" as the most likely investment environment for the rest of the year, and into next year.

This will benefit value stocks in particular. After underperforming growth stocks during the pandemic and for much of the past decade, value stocks—which tend to surge during economic recoveries—are leading growth stocks this year, anywhere from 3% to 4% depending on the index. Value's gains will continue, which benefits non-U.S. equities, natural resources and value-oriented investment strategies. Even with value's gains to date, valuation relative to earnings still remains significantly below growth stocks and the gap will likely converge during the recovery.

We view this environment as a good one for taking risk. In our global policy model, which guides our investment allocation decisions, we are overweight toward equities, infrastructure and natural resources. We are underweight toward investment-grade bonds, cash and inflation-protected securities. ■

Jim McDonald is Chief Investment Strategist for Northern Trust Asset Management, a leading global asset management firm—with $1.1 trillion in total AUM—offering mutual funds, ETFs, separate accounts, and other investment products.

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Golden Moment for Financial Advisors

By Brad Hearn
PRUDENTIAL

We've heard it for many years: Americans need help saving for a secure future. That adage remains true today, especially as the COVID-19 pandemic challenged many of our assumptions and shined new light on the opportunities for financial advisors.

Over the past 18 months, millions of Americans experienced volatility in their personal income, with an alarming increase in unemployment among women. Many individuals watched the stock market stall then begin to surge creating even more uncertainty with how to create sustainable financial health. The recent Prudential Financial Wellness Census found that nearly half (46%) of Americans described themselves as financially struggling, up from 22% in May 2020, and 31% say their ability to achieve their financial goals is out of their control.

Traumatic events often force us to think about our happiness, our mortality, and of course, what is important to us. In a time when so much seemed out of our control, many of us used the lockdown to reflect and consider what we can control.

For example, we're seeing people desire more control and express an increased appetite for financial advice. A recent Harris Poll, for example, found that 52% of respondents said that the uncertainty of 2020 will lead them to seek more guidance for their financial strategies.

And, of course, the pandemic pushed advisors to think beyond the traditional face-to-face meeting or seminar and double down on technology, using ZOOM events, video calls and digital marketing programs to provide that advice and expand their practices.

While these are positive trends for advisors, there is another that shouldn't be ignored. In 2024, we will reach a historic moment when the U.S. will have more 65-year-olds than ever. The Alliance for Lifetime Income calls it Peak 65. This cohort of baby boomers and those behind it—many of whom diligently socked away money in their 401(k)s—will be living longer and need to tap advice to navigate the more complex world of retirement income planning.

This confluence of the shock of the pandemic, the awakening of many about the need to take control of their financial future, and the demographic wave of people who need guidance for their retirement needs makes now the time for advisors to seize the opportunity.

What we need to do

Look at the big pie – We need to recognize that a broader demographic of people want and need personal financial advice and guidance. The pandemic has created demand for both emerging affluent and traditionally underserved communities that need our support and also represent a huge opportunity.

Re-examine our practice building approach – Can we evolve our practices to take advantage of this growing need? Activating a holistic, needs-based approach is vital to helping clients meet their financial challenges while creating a robust sales pipeline.

Nurture new practitioners – As we tap into new markets, we must continue the important legacy of our work and nurture a new wave of advisors. Creating the next generation will require education, mentoring and commitment, and it will also help ensure we achieve financial health for more and more individuals.

Personally, I have never been more excited about the future for our industry as I am today. The opportunity is ours to seize! ■

Brad Hearn is the president of Retail Advice and Solutions, Prudential. Retail Advice and Solutions brings together the extraordinary face-to-face advice expertise of Prudential Advisors with Prudential's Hybrid Advisory team and digital advice capabilities—creating a single organization with end-to-end accountability for delivering holistic financial advice and solutions across the entire advice continuum.

Prudential

‘Back to Normal?’ What’s the Rush?

By Eric Clarke
ORION

Wealth Management.com
2021 Industry Awards
Finalist

The day before my second vaccine shot (Moderna, if you’re curious), I put in some extra time on the treadmill, just in case. We know a lot about COVID-19 vaccines in a general sense, but it’s hard to predict how hard the side effects will hit for an individual.

As we hear the “back to normal” drumbeat and read stories about CEOs frog-marching employees back into their offices, we have to acknowledge the tension in our industry right now. Investors are still anxious about the pandemic as a threat to their portfolios and their health. Advisors

In this strange in-between time, we have a rare gift: we can choose how we want to work.

worry about the resiliency of their businesses after last year's sucker punch.

This is a great time to take a step back and check in with your teammates, your clients, and yourself. How has the past year changed us? And, where do we want to go from here?

A year of new habits

It amazes me how deeply the pandemic has shaped my day-to-day behavior. If you traveled as often as I did before the pandemic, by now you're probably down to your last few bottles of complimentary shampoo. A year without airport food and business dinners has certainly improved my diet. Now it feels normal (sort of) to come to a near-deserted office, maybe seeing one coworker face-to-face on a given day.

That isn't to say every change has been positive. In some ways, my daily routine has become more rigid. Circumstances forced these changes on us, and we had to adapt and survive through a great deal of stress and unknowns. But we've lived like this for more than a year now, and that's a long time to build new habits. In our experience, people generally don't change their habits without a really good reason. You might be itching to get back in the office. But are your clients? What about your coworkers?

Designing a more flexible office

In this strange in-between time, we have a rare gift: we can choose how we want to work. I encourage you and your teams to find the silver lining from the past several months. Has remote service removed barriers for the success of disabled coworkers? Are you now getting the attention of an entire client family—not just the breadwinner—because they can fit Zoom meetings more easily into their lives?

A new way of work demands new skills. At Orion, we're investing in leadership and management training around coordinating large virtual teams. Before COVID-19, very few people in our industry knew how to work together in a way that was not tethered to geography and the nine-to-five. That has to change.

We also rolled out "hoteling" in our offices: the ability to reserve a workstation based on what you need to do. We have found this arrangement helps our team members who work from home, but might need to use the office a few days a week. For growth-minded firms, hoteling could eliminate or forestall the need to relocate or expand offices.

If you decide to go down this route, I'm happy to share what worked for us:

- Every workstation needs to be a Swiss army knife. Anyone at your firm who books a desk should be able to plug in and do everything they need. For us, it meant two monitors at every desk, a universal docking station, keyboard and mouse, and plenty of "how-to" signage.
- Roll it out in phases. You'll need time to figure out your floor plan. Your team will need time to take home their personal items.
- Be flexible and reasonable. We grouped our workstations in "neighborhoods" that our teams could use together. Office hoteling doesn't have to mean the end of face-to-face collaboration with your colleagues.

When we think about the future, we need to be honest about our past behavior and whether it is truly sustainable. It is human nature to want to turn the page on the pandemic. But let's not be in a hurry to leave behind the progress we made. ■

This is a great time to take a step back and check in with your teammates, your clients, and yourself. How has the past year changed us? And, where do we want to go from here?

Eric Clarke is the Founder and CEO of Orion Advisor Solutions.

Learn more at Orion.com.

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ORION

Holding on to Optimism Through the Market Noise

WealthManagement.com 2021 Industry Awards Finalist

By Tim Holland
ORION

What a difference six months makes.

While the pandemic is by no means over, many areas of the country are vaccinated enough for people to move the needle closer to… whatever we're calling the "new normal." But there are always uncertainties ahead. It is the job of portfolio managers and advisors to separate lasting trends from the noise and emotion of the present.

Overinflated inflation fears?

For instance, as I write this, the U.S. debt to GDP ratio nears an eye-popping 130%. I hear from investors who worry about the country's debt load and the specter of inflation as we dig our way out of the worst of the pandemic. And while that debt is concerning, we need to put it into perspective.

Borrowing costs are near all-time lows. And let's face it, the risk of not providing enough economic support likely pales in comparison to the alternative. Right now, markets seem comfortable with elevated levels of borrowing and spending. As the economy finds its footing again, we expect the debt/GDP ratio to fall.

Most forecasts for 2021 US GDP growth exceed 6%. If achieved, that would mark the greatest growth rate since the early 1980s. The government set the stage for these forecasts with an unprecedented level of fiscal and monetary stimulus. Now, as we enter the back half of the year, corporations and consumers have very strong balance sheets, there remains meaningful excess capacity in the labor market, and Americans are rapidly ramping up spending, particularly on services.

There is so much demand from the consumer that we do expect supply shocks to persist across the economy for the next few months. To pick just one example, there are now more working realtors than there are homes to sell in the U.S. An already low supply of homes has been exacerbated by low interest rates, high saving rates, and nation-wide demographic shifts.

Cautious optimism for the back half of 2021

This doesn't mean that investors should abandon caution. Ironically, the optimism of investors could be a stumbling block for market returns. There are other risk indicators beyond inflation, too: the pace of growth may hinder much-needed monetary policy. Fixed income trades at historically tight spreads to U.S. government debt. And the odds of tax

hikes are on the rise. While Democratic legislators who support a return to higher wealth taxes are a razor-thin majority, it's worth recalling that in 2017, a GOP-controlled Congress was able to pass sweeping tax changes with slender majorities.

But on the whole, history is on our side. Markets go up more than they go down. This market has increased in its breadth, along with low rates that support ever-higher levels of valuation. Even the declining value of the dollar has made international revenues worth more. And 2021's aggressive distribution of the COVID-19 vaccine, coupled with progress in reopening key sectors of the economy, have been a boon to more cyclical parts of the economy and the market, including value stocks.

Given our expectations for heightened volatility, and more muted return streams at the asset class level, we are emphasizing actively managed strategies across domestic and international equities, fixed income, global credit, and absolute return. We see 2021 shaping up to be a year and an environment that is favorable for broadly diversified portfolios. ■

Tim Holland, CFA, is Chief Investment Officer of Orion.

Learn more at Orion.com.

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ORION

The Power of the 'Nudge': Five Client Behavior Hacks for 2021

Wealth Management.com
2021 Industry Awards
Finalist

By Daniel Crosby, Ph.D
ORION

If you have ever signed up for automated contributions to your retirement plan, or felt a buzz from your fitness tracker when you hit the day's step goals, you have felt "the nudge."

Popularized by Richard Thaler and Cass Sunstein in their 2008 book Nudge: Improving Decisions About Health, Wealth, and Happiness, nudge theory promotes the idea of influencing decision-making through positive reinforcement or indirect suggestion.

Our industry places more value than ever on the ability to understand and influence human behavior. For us, the "nudge" is not a dry, academic concept: it's a very real way to create indispensable service and guide investors to better outcomes through, let's face it, some pretty harrowing times.

I recently came across a fairly comprehensive list of behavioral interventions that is curated by University College London. I picked just a few of these nudges to share below through the lens of behavioral finance.

- **Self-monitoring** – Open any self-help book about curbing a bad habit, and chances are great that the first suggestion is for the reader to log their own behavior. Many times, this kind of self-monitoring is enough to push someone toward better behavior as they stare at an objective record of their own actions. The nudge: With an advisor's guidance, clients can monitor their own decisions and behaviors at pre-specified intervals and report back at client meetings (e.g., monitor progress to keep expenses under X or to save monthly).
- **Systematization** – If I could use just one tool from this behavioral toolkit, this would be my choice. We systematically overestimate our willpower and discipline, both of which are rendered unnecessary in the face of automation. Automation takes the human tendency to be lazy and status quo prone and makes it work to our advantage! The nudge: Look for tools that make it easy for clients to "default" to good behavior, like automatic payments and scheduling of meetings, or event-based notifications that surface and suggest the next step they should take.
- **Reduce negative prompts** – Willpower is weak and quickly used up. We are far better at avoiding situations that might trigger bad behavior than we are at trying to white-knuckle our way through temptation in the heat of the moment. The nudge: Whether the negative prompt we are avoiding is a shopping mall or a fear-mongering cable news channel, we should work with our clients to understand the contexts that negatively impact them.

- **Stress management** – As I cited in "The Laws of Wealth", we lose 13% of our cognitive capacity when we are under stress, meaning that our clients have the least access to the lessons of financial literacy just as they need them most. The nudge: Make stress management—to include lessons on physical wellbeing, diet, and exercise—a part of your practice.
- **Framing** – Belsky and Gillovich shared that framing matters a great deal in whether or not people think that they can reach a financial goal. When asked if they could save 20% of their wealth, most respondents said no. When asked if they could live on 80% of their income, most said yes. The nudge: Ensure that you are framing your requests of your clients in a matter that is empowering, positive, and suggestive of power and capability. ■

Daniel Crosby, Ph.D., is the Chief Behavioral Officer of Orion Advisor Solutions.

Learn more at Orion.com.

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ORION

Electric Vehicles Have Shifted into High Gear, and One EV Stock Is Well-Positioned to Capitalize

By Larry Cordisco and Andrew Chang
OSTERWEIS CAPITAL MANAGEMENT

After idling for decades, electric vehicles (EVs) are finally ready to charge ahead. Changes in the regulatory landscape, decreasing costs, and a substantially wider range of buying options have transformed the industry and created a powerful secular growth trend. One little known electronics supplier, Aptiv PLC, is particularly well-positioned to take advantage of the opportunity.

Believe it or not, at the start of the 1900s, 38% of cars in the U.S. were electric. Their heyday was short lived, however, as gas-powered vehicles proved to be more practical—they were cheaper, easier to refuel, and traveled farther.

These same three issues (price, charging, range) have dogged the EV industry ever since, but thanks to a confluence of structural economic changes, and the rapid embrace of Tesla by consumers, electric cars finally appear poised to make their long-awaited resurgence.

EV History: The Chicken or the Egg?

To understand the challenges facing the EV industry, it is helpful to consider the chicken and egg problem. Anytime a disruptive new product enters an established market, manufacturers are hesitant to mass produce the item as they are unsure of demand. With limited supply, sales are muted, which reinforces the status quo.

Electric vehicles are a textbook example of this phenomenon, particularly because they also require an extensive infrastructure investment (i.e., charging stations). Historically the EV industry has grappled with multiple challenges that have slowed its evolution:

- Auto manufacturers have been hesitant to ramp up production due to uncertain demand. And that hesitancy has been warranted, as consumers have been slow to adopt EVs due to concerns about limited range and lack of charging stations.

- EVs are expensive, which has restricted the market opportunity to high-end buyers. Batteries are the most costly components of EVs, but without sufficient revenues to fund research, battery costs have declined slowly.

Given the circularity of these issues, it is not hard to see why EV penetration was slow to take off. Progress was made in fits and starts, including the GM EV1 in the late 90s and the Nissan Leaf in 2011, but it has only been within the past few years that EVs have experienced any sustained momentum.

The Future: A Secular Growth Trend Built for the Long Run

In contrast to the early days, most analysts believe that EVs have hit an inflection point, and expectations for the industry are higher than ever. We share this view and believe EVs are poised to become a major secular growth trend, similar in scale to mobile phones or the internet. Like those other innovations, EVs are a fundamental paradigm shift that we expect both consumers and businesses to embrace for years to come.

In our view, there are four primary drivers that are creating the secular tailwinds for EVs:

- Government intervention
- Falling battery prices
- Increased commitment from auto companies
- Customer preferences

The climate crisis was the catalyst that changed the trajectory of the industry, but going forward we believe each of the above trends will contribute to a powerful flywheel effect that should sustain growth of EVs for the foreseeable future.

Governments Are Driving EV Demand

Probably the single biggest change in the EV landscape in the past few years has been the increased role of governments around the world. Motivated by a desire to reduce fossil fuel consumption, regulators have used a combination of carrots and sticks for both car companies and consumers to increase the quantity of EVs that are manufactured, sold, and purchased.

In 2009 the EU began to pass regulations aimed at reducing CO2 emissions. One of the most meaningful was a 2014 law that mandated CO2 emissions of new vehicles had to be below 95 g/km by 2021. Practically speaking, this meant that auto companies had to start thinking about developing more hybrids and electric vehicles if they wanted to meet these targets. Non-compliance was technically "legal," but the fines were so high that it was not economically feasible.

At the same time, many EU nations have been providing meaningful financial incentives to consumers who buy EVs. Sensing an opportunity to stimulate the economy and push green initiatives, Germany increased its subsidies to as much as 9,000 EUR per car, which lowered prices without reducing manufacturers' revenues. For example, the Renault Zoe can be purchased for less than 20,000 EUR or leased for as low as 39 EUR/month! These factors led the Zoe to be the best selling EV in Europe in 2020.

China, home of the world's largest EV market, has taken a similar approach to the EU to boost EV adoption. The government has relied on tools such as subsidies, tax exemptions, and faster access to license plate registrations for consumers, while also levying increasingly stringent CO2 emissions standards. EVs made up nearly 6% of China's car sales in 2020, and the Chinese government is aiming to increase that share to 20% by 2025 and 40% by 2030.

In the U.S., governmental initiatives to push EV adoption lagged behind Europe and Asia during the Trump administration, but that mindset has shifted dramatically under President Biden, who has prioritized EV and clean energy in his agenda. President Biden's proposed infrastructure plan includes $174 billion to encourage adoption and production of EVs, $45 billion to help governmental agencies procure EVs for their fleets, and $15 billion to build a national network of 500,000 charging stations. It is yet to be seen whether these plans will be enacted by Congress, but no more steps backward on EV adoption are expected during Biden's tenure.

As if these initiatives aren't enough, governments throughout the world are establishing hard dates for when they are banning internal combustion engine (ICE) vehicles. California won't allow sales of ICE vehicles starting in 2035. The U.K. has moved up its ban from 2035 to 2030, which aligns with Iceland, Netherlands, and Sweden. Norway, the current leader in EV sales, plans to eliminate ICE vehicle sales by 2025!

Countries/Regions Planning to Ban Pure Ice Vehicle Sales

2025	2030	2035	2040
Norway	Denmark Germany Iceland India Ireland Netherlands Slovenia Sweden UK	California Japan New York Thailand	Canada France New Jersey Portugal Singapore Sri Lanka Taiwan

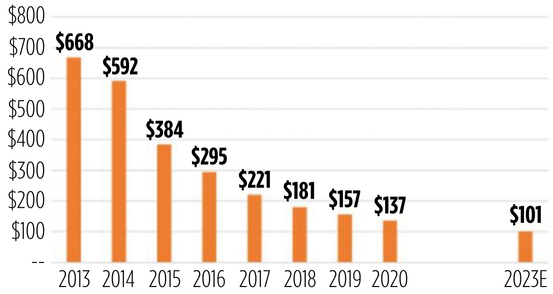
Battery Costs Are Falling

In the early 2010s, it wasn't even feasible to make a car that could reach 300 miles on a single charge—a milestone that was particularly important to Americans but also of interest in international markets. Enter the Tesla Model S 90D in 2016, the first EV to surpass 300 miles in range. It also cost nearly $90,000, so it was far too expensive for most households to afford.

The target price to achieve mainstream adoption is much lower—each of the top 10 selling cars in the U.S. has a starting price below $30,000. For EVs to truly compete with ICE vehicles, they have to reach that price point, and the best way to accomplish that is to produce cheaper batteries, which is exactly what has played out.

Thanks to improvements in efficiency, cheaper raw materials, and manufacturing techniques, there have been meaningful declines in battery prices over the past several years.

Avg Battery Pack Price ($/kWh)



Source: Bloomberg NEF

This is significant because batteries make up 20-30% of the price of an electric vehicle. 5 years ago, the battery on a 300 mile-range car cost about $22,000. By 2023, a 300 mile-range battery should cost about $7,500, which would allow car makers to produce an electric vehicle priced below the magical $30,000 price point! In the meantime, government subsidies help bridge the gap to bring the price of EVs roughly level with their ICE counterparts.

Car Manufacturers Are Going All In

Bolstered by governmental intervention, technological improvements, and the effect that Tesla has had on the industry, car manufacturers are recognizing they need to go all-in on electric vehicles. They realize that EVs are the future of the industry and cannot hold onto the hope that traditional vehicles come back into vogue.

As seen below, car companies are making significant pledges towards an electric future.

Automaker	Commitments
BMW	50% of sales will be electric by 2030
Daimier	50% of sales will be electric by 2030
Ford	40% of sales will be electric by 2030
GM	100% of sales will be electric by 2035
Honda	40% of major market sales will be electric by 2030
Volkswagen	70% of European, 50% of U.S./China sales will be electric by 2030

These aren't simply PR moves. These companies are rapidly shifting their capital expenditures (capex) and R&D spend towards developing EVs while running their legacy ICE businesses for cash. GM has committed to spending $27 billion on EV development through 2025—more than 70% of their capex over the previous 5 years. Ford announced in May that they would commit $30 billion of EV spend through 2025—more than their total capex spend over the last 4 years. These companies are accelerating their push into EVs because they know it is critical to their growth.

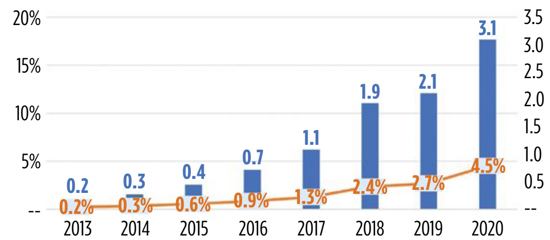
As part of this transformation, auto manufacturers have finally started to release a wider selection of models priced for the mainstream. Gone are the days of just the Nissan Leaf and the Tesla Model S. Notable launches in 2021 include Volkswagen's ID.4, Ford's Mach-E, and Hyundai's Ioniq 5—all are part of the ever-popular compact SUV category, and all priced competitively vs. similar ICE models. (The ID.4 can be purchased for under $30,000 after Federal, California, and local tax incentives!)

This trend is just beginning, and car companies are expected to release nearly 50 new models in 2021. The more EV models are introduced, the more likely that a given consumer will be able to find an EV that fits their needs.

Customers Prefer Electric Vehicles

Even in a year where total auto sales were down 16% due to Covid, EV sales managed to grow 43% in 2020. Market share is still small—only 4% of all vehicles sold—but in our view that percentage will change markedly over the next few years.

EV % of Car Sales (Left Axis) and Annual EV Sales (mm, Right Axis)



Source: Bloomberg

As the industry continues to mature and customers can easily choose between similarly priced EVs and ICE models, we are confident that an increasing percentage of buyers will select EVs because of their many inherent advantages. In addition to reduced carbon emissions, EVs cost much less to charge than an equivalent tank of gas. Furthermore, EVs have significantly fewer moving parts (20 in an EV engine vs 2,000+ in an ICE vehicle) make them cheaper to operate day-to-day and maintain over the years.

With EVs becoming more affordable and accessible, we believe uptake is a long-term inevitability. They run quieter and cleaner, and they are cheaper and easier to maintain. What's not to like? In addition, EVs have an intangible "cool" factor that we expect will motivate younger buyers. And although the automotive industry is cyclical, electric vehicles provide a secular trend with a long growth runway ahead.

Based on our analysis, we anticipate that by 2025 EVs will comprise as much as 15-20% of all car sales. This would translate to 17 million electric vehicles sold, or 5.5x 2020 levels.

Case Study: Aptiv PLC

While many investors focus on buzzworthy car companies like Tesla, we think a better way to get exposure to the secular growth of the EV industry is Aptiv PLC. Although they are leaders in their space, they are not well known because they build components that drivers rarely see—wires, connectors, and advanced safety sensors that reside under a car's floorboard. In fact, they deliberately keep a low profile so car companies can claim the credit for delivering state-of-

the-art vehicles. But Aptiv provides the critical components that make those possible.

Aptiv counts most of the leading global car makers as customers, such as GM, Volkswagen, Ford, Daimler, and Tesla. As such, an investment in Aptiv doesn't hinge on a single car company's success in developing EVs but rather provides exposure to the broader EV industry.

The company enjoys outsized benefits from the growth of EVs in two key ways. First, the average revenue earned per vehicle for EVs is as much as 3x that of traditional ICE vehicles. Second, Aptiv's early mover status and their technological lead has allowed them to achieve a 70% win rate on electric vehicles (versus their 30% historical market share on ICE vehicles).

Once Aptiv secures a contract, they are typically locked in for the duration of a vehicle platform's 5-7 year lifecycle. The company works very closely with car manufacturers from development to production as an integral part of the supply chain. This makes their technology very sticky (i.e., high switching costs), which leads to long-term relationships and predictable revenues.

In addition to their robust EV business, Aptiv is also a leading supplier of components for automated driver safety features, such as auto-braking and lane assistance. Like their EV components, these so-called advanced driver assistance systems (ADAS) provide Aptiv with approximately 2-3x the revenue earned per vehicle vs. cars without ADAS. Importantly, the number of vehicles with these next gen safety features is projected to double over the next 5 years.

Exposure to EVs and ADAS make up just over 15% of total revenues, but the company projects that those two business lines will drive more than half of its growth over the next 5 years. Combining those company-specific factors with the broader secular growth of EVs and ADAS, plus the cyclical recovery in automotive sales post-Covid, we are expecting a very favorable multiplier effect on sales for the next several years.

Final Thoughts

The growth of electric vehicles is an important secular trend that we believe will continue for many years. The transition away from our current gasoline-based transportation infrastructure will be a complex process, and it is already spawning a new generation of companies built for an EV-world.

We will be watching the space carefully, not only because we expect other attractive investment opportunities to present themselves, but also because we prefer to invest in companies that have a modest impact on the environment. We believe in ESG investing, and the EV industry is well aligned with those principles. ■

Larry Cordisco is Co-Chief Investment Officer – Core Equity and Andrew Chang is an Analyst with Osterweis Capital Management.

High-tech Can Still be High-Touch. Here's How to Focus on What Matters Most.

WealthManagement.com 2021 Industry Awards Finalist

By Salit Nagy-Todd
RAYMOND JAMES

To appreciate the incredible evolution of technology, we need to do some time traveling. Think back to your first cell phone. Was it bulky with buttons and an antenna, or a flip phone with a small screen and T-9 texting? Either way, I bet you didn't foresee then what has come to fruition today: a high-performing computer in a handheld device that allows you to socialize, order same-day delivery, and even serve your clients from the palm of your hand.

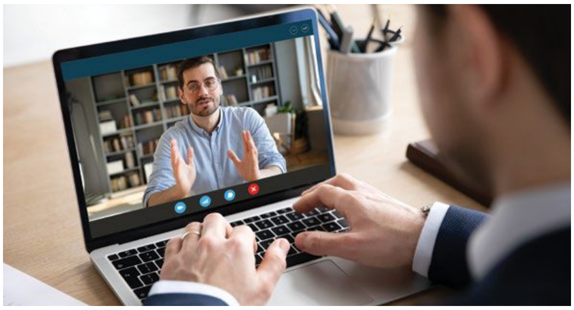
But this technology didn't happen just for the sake of innovation. It was intentionally developed to make our lives easier, to allow us to be more flexible, and to evolve alongside our ever-changing life and business needs. That philosophy should always remain the building block of how we think about technology innovation in the wealth management space. It's not about building shiny widgets based on futuristic buzzwords, but about realizing the potential of new technologies and developing them in a way that further supports the advisor-client relationship.

I'm often asked by advisors, "With so much technology out there, where do I start? How do I incorporate technology in a meaningful way into my practice?" You have to begin with what's most important to you. What gaps exist in your practice that would benefit from more automation or technological support? Typically, advisors' use of technology centers around two key areas: more meaningful connections with clients, and freeing up time so they can deliver more high-touch service and grow their practices.

Meeting clients where they are

Nowadays, you can go from bumping into a client at the grocery store, to hopping on a video conference call with a client across the country. High-tech solutions, like mobile apps, video conferencing, client reporting features, etc., are making it possible for you to deliver high-touch advisory support—allowing you to meet your clients wherever they are, from wherever you are.

If you're looking to elevate the value of your service, there's no doubt technology plays a critical part in helping you deliver on that. For this, you need easy-to-use and flexible technology that is intuitive and customizable to individual clients. Key technology you'll need when working with clients include a sophisticated client reporting system, a customizable proposal tool, a secure document-sharing vault, e-delivery



and eSignature capabilities, compliant texting abilities, and of course, a mobile client app from which they can access and share information with you easily.

Freeing up time

Aside from the very important goal of spending more time with clients, there are aspects you have to keep up with to run your practice efficiently. Here's where forward-thinking technology and automation comes in.

Key technology you'll want to make sure you incorporate into your practice include social media and digital marketing automation, enhanced alerts and task management within your team to ensure nothing gets missed, smart forms to reduce errors, and perhaps paramount, a reliable and secure advisor mobile app so you don't miss a beat while you're on-the-go.

No one-size-fits-all approach

No two clients or advisors are the same. So each practice's approach to technology will be—and should be—different. That's the exciting part about technology in wealth management. It offers flexible, highly customizable and scalable solutions so you can run and grow your practice in a way that is tailored to the current and future needs of your business and your clients. ■

Salit Nagy-Todd is Senior Vice President, Technology at Raymond James.

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RAYMOND JAMES

Moving from Surviving to Thriving

Wealth Management.com
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By Liz Stiles
RAYMOND JAMES

At the beginning of 2020, restaurants were filled with people sitting at closely arranged tables, waiters serving customers who are ordering from a printed, likely laminated, reusable menu. It is now the second half of 2021 and, in just over a year, restaurant tables are spaciously placed, QR codes replace physical menus and, in some establishments, automated ordering systems have replaced servers. Business owners have adapted since the pandemic began, including financial advisors. While some of these changes are temporary, many would argue that some of these operational constructs are here to stay.

You likely made some significant changes to your business in this last year. Let's face it: the pandemic likely forced you out of your comfort zone to try new things. You leveraged technology and more proactive approaches to stay connected to your clients and team in lieu of in-person connection. And the series of wins in changing your operational construct has given many a newfound confidence and flexibility in the ability to run your practice, from wherever you may be. Before you get too comfortable with these new habits, consider this: Where may you have new vulnerabilities?

If providing excellent service is one click away with technology at our fingertips, it is critical for you and your clients to have a strong sense of what separates you from other advisors. Think about your top clients: What makes you uniquely qualified to serve them? According to InvestmentNews Research's 2020 Study of Pricing & Profitability, 95% of advisors surveyed are providing retirement planning and another 83% are doing a comprehensive financial plan development as part of their standard fee. By being more explicit about how your offering specifically meets the needs of your target client, you can differentiate yourself in a meaningful way. Your offering should address your team's specialized knowledge and experience with your target market's needs, such as navigating a particular life event, a wealth creation event, or even the nuances of professionals in a particular industry. How do you expect your clients to become advocates if they can't clearly articulate what sets you apart? In a world where geography doesn't restrict your ability to connect with experts, your apathy in closing the identified gaps or capitalizing on new connection opportunities could slow all the momentum you worked to maintain in the last year.

Simply put, what is going to change for you during the new normal? If your answer is 'nothing' or 'similar to before the pandemic,' you may be missing a big opportunity to redefine your vision. Start looking at industry research and to experts to get an objective opinion on your business. Many advisors are re-engaging client feedback approaches like advisory boards to gain insights from their top clients on their preferences, service needs and expectations in the years ahead. The world, including your clients, are evolving around you. It is your choice on whether your practice will evolve with them. Using the insight gained from the benchmarking and feedback approaches, my suggestion would be to identify one to three opportunities over the next six months that will drive your business forward. Socialize these opportunities with trusted peers, colleagues and teams to create a culture of accountability and expectation around you. If you need more specific accountability, engage with a coach who will be persistent to your execution.

You have set the foundation to survive. How ready are you to thrive in the new normal? ■

Liz Stiles is Director of Practice Management Coaching at Raymond James.

Learn more at www.raymondjames.com.

RAYMOND JAMES

The Ebbs and Flows of Market Volatility

By Larry Adam
RAYMOND JAMES

WealthManagement.com 2021 Industry Awards Finalist

Volatility is woven into the fabric of the market, and as much as history and financial market pundits caution against it, greed and fear have driven investment decisions for decades. In fact, those who sold at the March 2020 lows amid fears of the pandemic have missed the strongest start to a bull market in history. Fast forward to today, optimism is the prevailing sentiment. The prospects of this young equity bull market remain bright, but investors should not extrapolate the recent performance that has been unencumbered by elevated volatility. While it is easy to focus on the here and now, investors should maintain a long-term approach and keep an eye on looming risks that include:

Temporary or Persistent Inflation

Inflationary concerns have hit the economy, sparked by pent-up demand, ultra-low inventories and supply chain bottlenecks. With prices pushing higher, investors question if the Fed's expectation for temporary inflation will instead be persistent, and lead to policy adjustments sooner than planned. The year-over-year pace of inflation has risen, but the simultaneous spending of consumers reemerging from hibernation will not exist in perpetuity. We are aligned with the Fed in believing inflation will be "transitory," as we are in the midst of the "base effect," with prices today compared to the depressed levels of last year. Just as we challenged investors to look beyond the lockdown period, the issue of surging inflation should dissipate by the end of this year. Furthermore, though the Fed's discussion of adjusting bond purchases may induce volatility, or a "taper tantrum," its actions will highlight the healing of the economy—a positive long-term factor for equities.

Stimulating Debate

Congressional debates surrounding President Biden's proposed stimulus bills are heating up, leaving the nature and magnitude of tax increases in limbo. The consensus appears to be that corporate and individual taxes will move modestly higher. However, with pressure on the Biden administration to display more bipartisan efforts ahead of the mid-term elections, the magnitude of tax hikes will likely be much lower than originally proposed. Even if some tax reform is passed, history suggests it is unlikely to unravel economic growth. However, an infrastructure deal agreed upon accompanied by minimal tax increases, or delayed entirely, may turn the tide on the tax risk story and become an upside catalyst.

Cyber Threats

Geopolitical tensions have a tendency to bubble beneath the surface, causing interim volatility but rarely having a long-lasting market impact. With the US nearing a deal with Iran and engaging in further trade talks with China, risks of this nature have lessened. An exception is cyberattacks that cause prolonged disruptions to the economy, such as interruptions to infrastructure, utilities, financial services, or technology.

COVID Still Top Concern

While the US has benefited from mass vaccinations, the pandemic is ravaging other areas of the world. For now, these international flare-ups have not derailed markets or the economic reopening. However, any setbacks from variants capable of evading vaccines or a resurgence in cases as we progress into the fall could prove to be a detriment given heightened market valuations.

As earnings growth is likely to propel the equity market higher well into 2022, burgeoning risks will make the lift more challenging—nothing unusual for the second year of a bull market. As volatility increases, investors should remain committed to their long-term asset allocation strategy and not make headline-induced portfolio changes. ■

Larry Adam is the Chief Investment Officer of Raymond James & Associates, Inc., member New York Stock Exchange/SIPC.

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RAYMOND JAMES

The Future is Unbundled

Boomers have been conditioned to accumulate wealth in 401(k)s, IRAs and brokerage accounts. 10k of them retire every day. Now what?

By David Stone
RETIREONE

Wealth Management.com 2021 Industry Awards Finalist

Annuity maven, Michelle Richter, recently lamented on a podcast that the retirement parlance has evolved from "defined benefits" which located longevity risk on corporate balance sheets, to "defined contribution" which "puts all of the risk…into the hands of underprepared Americans." Not actuaries and economists. Regular people.

Boomers have been conditioned to save, but now that they are leaving the workforce, how do they pay themselves in retirement? Without a traditional defined benefit plan, how can they ease their number one fear—outliving their retirement savings?

Answer: Annuities. However, annuity adoption is low due to a lack of understanding, insurance products of old, and traditionally-poor insurance technologies.

Annuities are Insurance

Annuities aren't investments. Some offer underlying investments called sub-accounts or indices to which performance is tied and measured, but the essential value of annuities lies in their insurance protections. Whether it is to provide guaranteed income, tax deferral and/or protection against market losses, annuities are risk transfer vehicles.

Mingling the insurance protections with underlying investments may confuse the true, essential value of an annuity. So, what happens when you isolate the longevity insurance and the sequence of returns insurance from the underlying investments in a variable annuity, for instance? Many traditional annuity problems may be solved.

1) The insurance component can be priced separately from the investments and offered as a stand-alone living benefit, which may generate a lifetime income stream from any hedgeable investment—no matter where the investment is held.

2) The living benefit would be portable from custodian to custodian—a form of portfolio insurance which firms could use to wrap their models. Advisors would no longer need to sell out of positions to buy portfolio protections, or to create similar models using the limited Variable Insurance Trust (VIT) version of mutual funds offered in variable annuities.

3) Low-cost ETFs and mutual funds could be covered, which means that cost would be contained. The only expense, then, would be the 100 to 200 basis points the investor paid for the insurance. Subaccount fees, Mortality & Expense Risk charges, and administrative fees could be eliminated.

4) The investor would pay only for what they need—the insurance—which they could select based on their risk budget. The higher the allocation to equities, the higher the cost to hedge and insure the portfolio. Importantly, if the market outperforms the advisor and client's expectations, then the insurance protection could be dropped and the future expense saved, if desired. Unbundling creates flexibility.

5) Because the insurance and investments would no longer be packaged together, advisors could manage their own models, rebalance, buy, and sell and see the assets on their custodial platform. They could more easily report on, bill from, and include them on client statements without the need for any additional technologies. The advisor's core value as asset allocator would be preserved, and their role in the financial lives of their clients protected.

This is the future. Unbundling the insurance from underlying investments will profoundly affect the design, adoption, distribution, and implementation of portfolio protections going forward. And, even more importantly, empower American savers to have fruitful retirements and not be burdened with the concern of outliving their retirement savings. No client of an advisor should ever have to consider the premise of "living too long." ■

David Stone is Founder and CEO of RetireOne.

Learn more at retireone.com.

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Are You Busy, or Are You Productive?

WealthManagement.com
2021 Industry Awards
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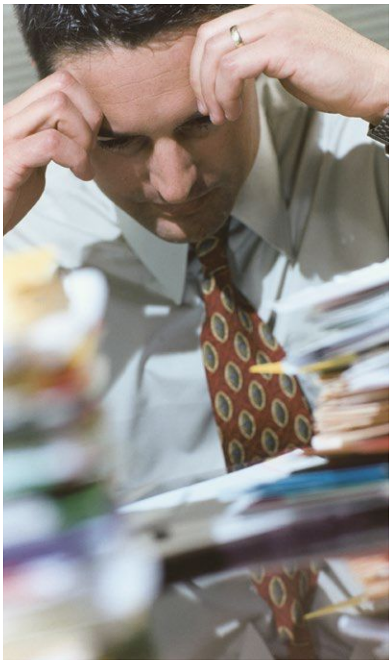
By Rick Wedell
RFG ADVISORY



All too often in this industry, Advisors are focused on things OTHER than creating value for themselves (and ultimately for their clients). The confuse being busy with doing the work necessary to grow their practice and create enterprise value for themselves and their families.

There's one thing in this business that generates value for Advisors, and that is the relationship that they develop with their clients. That's it. This is, fundamentally, the core of everything that we do in the industry. Clients pay fees due to the depth of that relationship. Clients make referrals based on their satisfaction with the services we provide. And anything that an Advisor does that is not focused on strengthening those client relationships and developing new ones is, fundamentally, something that's not core.

That includes investment management. Study after study has shown that individual security selection and active portfolio management is NOT how clients benefit from working with a Financial Advisor[1], and yet I cannot tell you how many Advisors spin their wheels, day after day, researching mutual fund managers, or stocks, or ETF's, trying to come up with the best lineup of funds to offer their clients. They trade and they opine, and they confuse investment management with the business of being a Financial Advisor.

Our clients pay us for investment advice—HOWEVER, no one ever said that we must be the sole expert that provides that advice. Look at it this way—if a client came to you for estate planning, would you duck off to law school so that you could write their will yourself? Or would you refer that business to a reputable attorney and work with them in tandem to develop the will?

Why should investment management be any different? Large firms have figured this out—they almost always have someone who specializes in investments while everyone else focuses client relationship. There's value in that. The specialist is seen as an expert, and the rest of the firm doesn't waste their time on an activity that doesn't really generate any value for the firm. The client feels better served knowing they have a relationship manager AND an investment expert working on their team.

Why should Advisors and smaller RIAs be any different? I'm not talking about handing her investment management to a faceless manager thousands of miles away or investing in a model portfolio. These products are sold by every other Advisor in the business, and they have become little more than a commodity. Clients DO expect someone on the team to be an expert—after all, they are paying for investment advice!

An Outsourced CIO who handles investment management, including client interactions can leverage an Advisor's time. A team that can be at in person meetings with prospects and clients, whenever she wants them. A team that makes phone calls when clients get jittery and provides marketing events and support business growth. A team with the background and presence to add value in the eyes of clients instead of simply checking the investment box.

So next time you spend the majority of your day in front of your Bloomberg screen researching client investments, pause and ask yourself if you are busy being busy or if you are busy building a valuable business. ■

Rick Wedell is Chief Investment Officer of RFG Advisory.

Learn more at www.rfgadvisory.com.

1. See, for one example, "Putting a Value on Your Value: Quantifying Vanguard's Advisor Alpha", by Kinniry et. al., Vanguard Research, February 2019

Fear and The Art of the Possible

By Bobby White
RFG ADVISORY

WealthManagement.com
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Coronavirus proved to be the ultimate stress test on the strength and resiliency of financial advisors. Although, a global pandemic was not a challenge anyone could have predicted, many advisors were woefully unprepared for battle and found themselves at a considerable disadvantage. Outdated technology, old ways of thinking, and a lack of centralized resources weighted down even the most seasoned financial advisors.

Elite firms, in comparison, prospered in the face of uncertainty and did so as a direct result of their willingness to look towards the future instead of remaining in the past. "Luck is what happens when preparation meets opportunity," these famous words by the Roman philosopher Seneca transcribed nearly two thousand years ago, still hold true today.

But luck isn't just about being prepared. For advisors, it's also about being ready for new opportunities like the move to independence. With the battle scars still fresh, the question remains: Are financial advisors prepared to answer the call and finally break away?

Fear of the Unknown

Insights from the 2020 Advisor Movement Study by Fidelity Institutional Insights[i] indicates that more than half of advisors surveyed cite concerns about the fear of the unknown in the move from commission-based to fee-based revenue models. A staggering 56% of advisors surveyed before the pandemic report fear being an issue. In speaking with hundreds of advisors since, I am confident today's percentage is much higher.

Fear is so prevalent and often paralyzing in our business that it keeps advisors from reaching their full potential serving clients and building enterprise value on their own personal balance sheet. Until now.

Three Biggest Fears Facing Advisors Contemplating Independence

As both Founder/CEO of RFG Advisory and a financial advisor, I have identified the three biggest fears facing advisors today:

1. Fear of Transition.
2. Fear of Succession.
3. Fear of Growth.

RFG ADVISORY

Fear of transition is usually rooted in the quality of firm, culture, and people. How long and hard will transition be for my people and clients? Will my clients follow me? The second fear is succession. This reflects an advisor's underlying concern around loss of identity, earning potential, and equity. Can I monetize my practice for what it's worth? The last is the fear of growth. Am I willing to do what it takes to grow my practice—investing in A-player talent, the right technology, branding, marketing and necessary compliance infrastructure?

Conquering Fear: Warrior Advisor

In my Become a Warrior Advisor Podcast series with Dom Raso, Navy Seal Team 6 Veteran, Founder/CEO of Dynamis Alliance, we provide the tactics necessary for advisors to conquer fear.

The way you conquer fear is to embrace it, covert it, and replace it with purpose and meaning. For an advisor, spending quality time with clients and building the business vs. handling every little last detail can lead to massive ROI. You'll often hear me say, "Be the CEO of your practice, not the COO."

Another important factor is mindset. That mindset is the difference between the practice you have and the practice you want.

Warrior Advisors have a 'Crush Everything' mindset. It's entrepreneurial. Battle-tested. Full of possibility. Obsessed with getting 1% better every day. Will it require you to face your fears and force you to get comfortable with uncomfortable?

Financial advisors now find themselves in a much more favorable setting than ever before—and ready for the art of the possible. ■

Bobby White is Founder and CEO of RFG Advisory.

Learn more at www.rfgadvisory.com.

Rosy Outlook? Could Be Time for a Portfolio Checkup

Wealth Management.com
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By Stuart Katz
ROBERTSON STEPHENS

With surging home sales, record stock market highs and an unexpectedly powerful economic recovery, investors focused on near- and medium-term performance likely see easy gains and smooth sailing. However, we see a dark fog of complacency and seemingly benign assumptions threatening to cloud judgment and impede portfolio resilience.

The transformative events of the last 18 months remind us of countless lessons as wealth managers. For example, they serve as a reminder that change can be rapid, unpredictable, and severe. Many investors, distracted by a wave of lofty valuations across asset classes, can still be prone to bouts of passivity that leave portfolios vulnerable to material market declines.

The pandemic has redefined our understanding of black swan impact. But it is part of a succession of major transformations that have challenged traditional approaches to portfolio construction. The reality is that health crises, along with industry disruptions, geopolitical conflict, social upheaval, and natural and technological disasters, will continue to significantly impact performance and traditional passive portfolios on their own and are no match for severe threat or extraordinary change.

The post-Covid landscape poses a number of critical questions for investors, including whether growth will be able to meet optimistic earnings expectations and support record low credit spreads without fueling inflation and a subsequent rate hike. To survive disruption and thrive in the long-term, portfolios need to look beyond short-term performance and basic asset allocation. They need to build resilience. For that, investors may need a midyear checkup that focuses on three dimensions, the first of which is capital preservation and long-term growth.

Portfolios should intentionally allocate to certain asset classes which balance short- and longer-term goals based on a financial plan. With a solid capital position and sufficient liquidity to handle potential liabilities, investors could perhaps better weather rapid market declines and counter detrimental behavioral tendencies such as recency and anchoring biases.

Secondly, a focus on thematic returns, or robust exposures to durable trends can both flex to meet disruption in public market performance as well as remain stable through macroeconomic cycles, all without sacrificing quality. Investors could strive to integrate emerging market consumer, healthcare innovation, digital infrastructure and environmental, social and governance (ESG) related trends, among others, as companies managed with a focus on sustainability are better positioned to weather market storms.

Combining traditional investing methodologies with ESG insights, for example, can help improve long-term outcomes for investors, as companies with strong ESG practices have potential to outperform those that fail to meet those standards.

Lastly, we look to build resilience by supplementing current traditional core public holdings with alternative strategies. Active managers who invest with an ability to structurally control and influence company outcomes are needed to maintain resilience. Alternative strategies can incorporate anticipation and response capabilities into their investment processes in times of dislocation.

It may be true that we have entered into uncharted behavioral territory, where investors reeling from the exhaustion of extraordinary risk are too eager to embrace the ballooning anticipation of gain. We can't fix everything as wealth managers, but we can offer some diagnostic clarity, alerting investors to harmful behaviors and prescribing some portfolio protections they may not realize they need. ■

Stuart Katz is CIO of Robertson Stephens, a wealth management firm striving to provide comprehensive and innovative investment solutions and wealth strategies to its clients through an intelligent digital platform.

Learn more at www.rscapital.com.

Beyond Recovery

By Jeanette Garretty
ROBERTSON STEPHENS

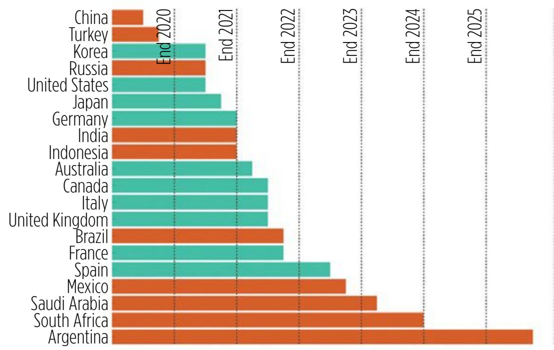
For more than a year now, the world has focused on recovery: medical recovery, economic recovery and emotional recovery. Much of the world is still, unfortunately, mired in a desperate battle against the pandemic and for those areas, recovery is a promise, not yet a state of being. In the United States, however, as well major economies such as China, Britain and Europe, the recovery is well-established and in the process of ceding the stage to the future. It is especially notable that the robust economic growth of the US economy in the first half of 2021—estimated in excess of 6% annualized growth—has served to place US GDP, at the start of the second half of 2021, above the previous peak level of January 2019. Thus, it is appropriate and important to consider this time as the beginning of the newest US economic expansion.

The forces that have brought the US to this juncture are likely to continue to shape the early stages of the expansion. Manufacturing was an early success story in the recovery, fueled by stimulus-funded consumer spending on goods ranging from autos to office chairs. Consumer savings rates are still very high and debt is relatively low; coupled with expected infrastructure spending by the federal government, the manufacturing sector looks to continued prosperity. Spending on services should provide additional fuel to economic growth, rebounding with the more complete opening up of the US economy which will be the hallmark of the summer and fall of 2021. A booming housing market and the ongoing creation of more than 300,000 jobs each month (often well more than 300,000) is expected help push second half US economic growth above 7%, assisted by world economic growth now forecast to be greater than 5%.

Economic opportunities in 2021 have reflected the dual influences of the secular changes that emerged in 2020. e.g. health care delivery and research, digitization, environmental innovation and new uses for real estate, and the cyclical effects of rebounding of hard-hit consumer services industries such as leisure and entertainment. As the expansion grows into 2022, the secular changes are likely to demonstrate renewed dominance, confirming a view that the world is unlikely to go *back* to normal, but rather to go *forward* to a new normal. This is exciting, but also challenging.

The rapidity of the evolution from recovery to expansion has placed great pressure on supply chains, compromising the near-to-medium term ability of companies to meet burgeoning demand. Sourcing remains a global endeavor, negatively impacted by regional Covid outbreaks and transportation constraints; air transport is a pricey substitute for the lack of available ships and/or loading difficulties at ports. Labor supply has proven to be an unexpected challenge, complicated by changing skill requirements and a general hesitancy to immediately return to a still uncertain world. As a result, upward pressure on prices has emerged as a growing concern for policy makers, producers and consumers. By the end of 2021, a clearer path forward can be expected, largely as determined by the ability to resolve these supply issues. At present, it would seem that inflationary pressures ultimately will prove modest, and approximately 2.5-3.0% US inflation should allow the Federal Reserve to pursue its chosen path in support of US economic growth. But every economic expansion is different, and it would be wise to accept that this one is likely to have its surprises, both positive and negative. ■

Recovery to Pre-Pandemic Levels



Recovery to pre-pandemic level: a sustained increase in real GDP per capita above its Q4 2019 level. For countries recovering after Q4 2022, calculations are based on average quartelry growth rates in 2022. • Source: OECD (2021), OECD Economic Outlook No 109 (Edition 2021/1)

Jeanette Garretty is Chief Economist of Robertson Stephens, a wealth management firm striving to provide comprehensive and innovative investment solutions and wealth strategies to its clients through an intelligent digital platform.

Learn more at www.rscapital.com.

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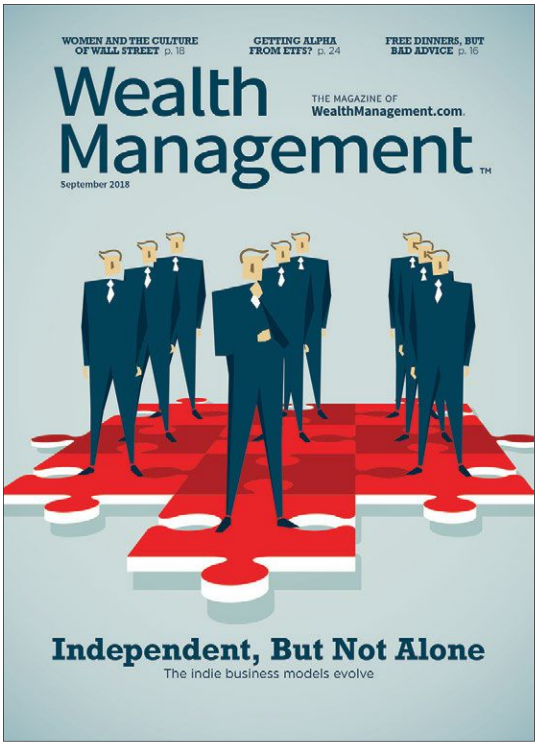

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Hyper-personalization of Investment Projections Using Automation

By Iraklis Kourtidis
ROWBOAT ADVISORS

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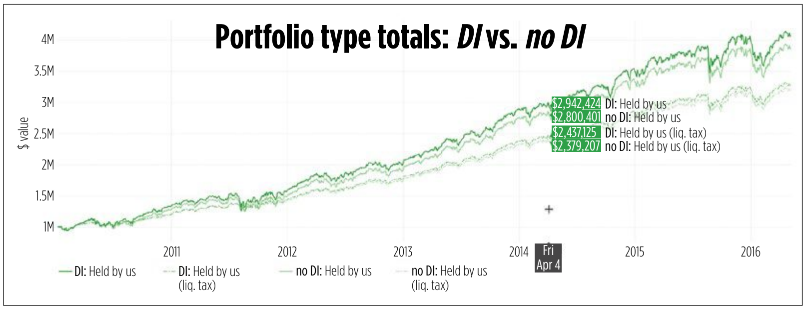

One potential categorization of investment technology is by timeframe: **past** (performance reporting & attribution), **present** (trading & rebalancing), and **future** (risk analysis & scoring; projections).

Personally, as a client, I care less about the past; what's done is done. Sure, it may help uncover errors - but it mostly benefits the advisor firm: they can reassure me they didn't mess up, and not lose me as a client. I care more about the present (is my current portfolio appropriate for my goals?) and the future (will it stay that way?)

If daily trading is not fully automated, the present and future may be handled inconsistently. Example: if the expected plan says "rebalance when any asset class is 5% overweight or underweight", then an advisor may not do it (on vacation, oversight, etc.)

Even when trading *is* fully automated—e.g. with robo-advisors—things are almost always inconsistent. Projections (future) are usually generated by a completely different part of the system that actually handles day-to-day investing (present). This is expedient because of the different skills required. The **present** suits software developers. It requires skills with large, scalable systems; production-grade, efficient programming languages such as Java; and high testability, so as to handle real-life edge cases. The **future** suits investment researchers (CFA / PhD). Specialized programming languages (R, Matlab) make initial prototyping faster, and are easier to use.

However, using this expedient approach may result in different "parallel universes". Perhaps one of the two has a bug, or the research code makes simplifying assumptions that production cannot make, resulting in divergent behavior.

Until recently, most Wall Street firms had the same problem. Proprietary trading strategies were researched in a separate environment, and re-written (usually in C++) for production. However, what looked like a winning strategy could turn into a losing strategy. Therefore, such firms developed technology allowing the same code to be used for both production and simulated trading.

A similar approach can be used in wealth management. It can help investment researchers ascertain correct behavior on—for instance—direct indexing (DI) on a given stock index, with a client-specific set of ESG requirements, and with a particular set of tuning parameters for the algorithm's behavior (e.g. tradeoff between tracking and tax-loss harvesting - TLH).

This approach also benefits clients. Running simulations that use the same code as production will produce realistic results. The prices used may be historical, or the result of a forward-looking process that generates them. Either way, the focus here is the future. The *absolute* returns will depend on those prices; historical prices from bull markets will obviously produce better results. However, the *relative* benefit is more stable.

The above are pre-tax and after-tax liquidation values for using DI with TLH vs. just holding an index-tracking ETF. One can also look at other metrics, such as ESG. Either way, such charts are more convincing and captivating than a white paper. Furthermore, when these are generated automatically in response to supplied client-specific assumptions (e.g. initial deposit, schedule of future deposits, etc.), then they can be placed behind a web interface and even made available to clients, even during initial account signup.

Such technology would combine the automation of robo-advisors with the high-touch approach of wealth management, allowing advisors to focus on higher-value-add work. ■

Iraklis Kourtidis is the Co-founder and CEO of Rowboat Advisors, Inc.

Learn more at www.rowboatadvisors.com.

Rowboat Advisors

Global Market Outlook 2021—Q3 Update: The Song Remains the Same

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By Andrew Pease
RUSSELL INVESTMENTS

With mid-June vaccination rates close to 50% in the United States and Europe, over 60% in the United Kingdom and beginning to finally accelerate in Japan, we believe the economic reopening should continue across the major developed economies through the second half of 2021. Amid this backdrop, the focus for markets has shifted to the strength of the growth rebound, the implications for inflation and the timing of central-bank moves to taper asset purchases and eventually raise interest rates.

Our view is that the inflation spike is mostly transitory, a combination of base effects—from when the U.S. consumer price index fell during the initial lockdown last year—and temporary supply bottlenecks. We believe that market expectations for the U.S. Federal Reserve (the Fed) to begin hiking rates in 2022 are premature. We expect the Fed to commence tapering in 2022, with the second half of 2023 the likely timing for the first interest-rate hike.

Our cycle, value and sentiment (CVS) investment decision-making process leads us to conclude that global equities remain expensive, with the very expensive U.S. market offsetting better value elsewhere. We see sentiment as close to overbought, but not near dangerous levels of euphoria. The business cycle is still in the early recovery stages following the lockdown-induced recession, with the strong cycle giving us a preference for equities over bonds for at least the next 12 months—despite expensive valuations. This also reinforces our preference for the value equity factor over the growth factor and for non-U.S. equities to outperform the U.S. market.

Economic Views

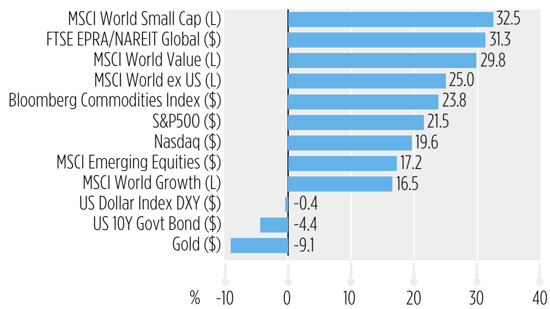
We expect strong economic growth in the U.S. through the second half of this year. Real GDP growth of around 7% for 2021 would mark the best outturn for the nation's economy since 1984. We believe that long-term interest rates have modest upside over the next few months as global growth continues to improve. Our models suggest a range of 1.5% to 2.0% for the U.S. 10-year Treasury note over the remainder of the year.

Asset Class Views

Equities: Preference for non-U.S. equities

The post-vaccine economic recovery should favor undervalued cyclical value stocks over expensive technology and growth stocks. Relative to the U.S., the rest of the world is overweight cyclical value stocks.

Asset performance since the COVID-19 vaccine announcement



Source: Refinitiv Datastream, as of June 17, 2021; performance since November 6, 2020. (L) implies local currency

Fixed income: Government bonds still expensive

We view government bonds as expensive, and think that yields will be under upward pressure as output gaps close and central banks look to taper back asset purchases.

Currencies: U.S. dollar likely to weaken

The U.S. dollar should weaken once investors have fully priced in Fed tightening expectations and as the global economic recovery becomes more entrenched. The dollar typically gains during global downturns and declines in the recovery phase. The main beneficiary is likely to be the euro, which is still undervalued. We also believe British sterling and the economically sensitive commodity currencies—the Australian dollar, New Zealand dollar and the Canadian dollar—can make further gains, although these currencies are no longer undervalued from a longer-term perspective. ■

Andrew Pease is the Global Head of Investment Strategy at Russell Investments.

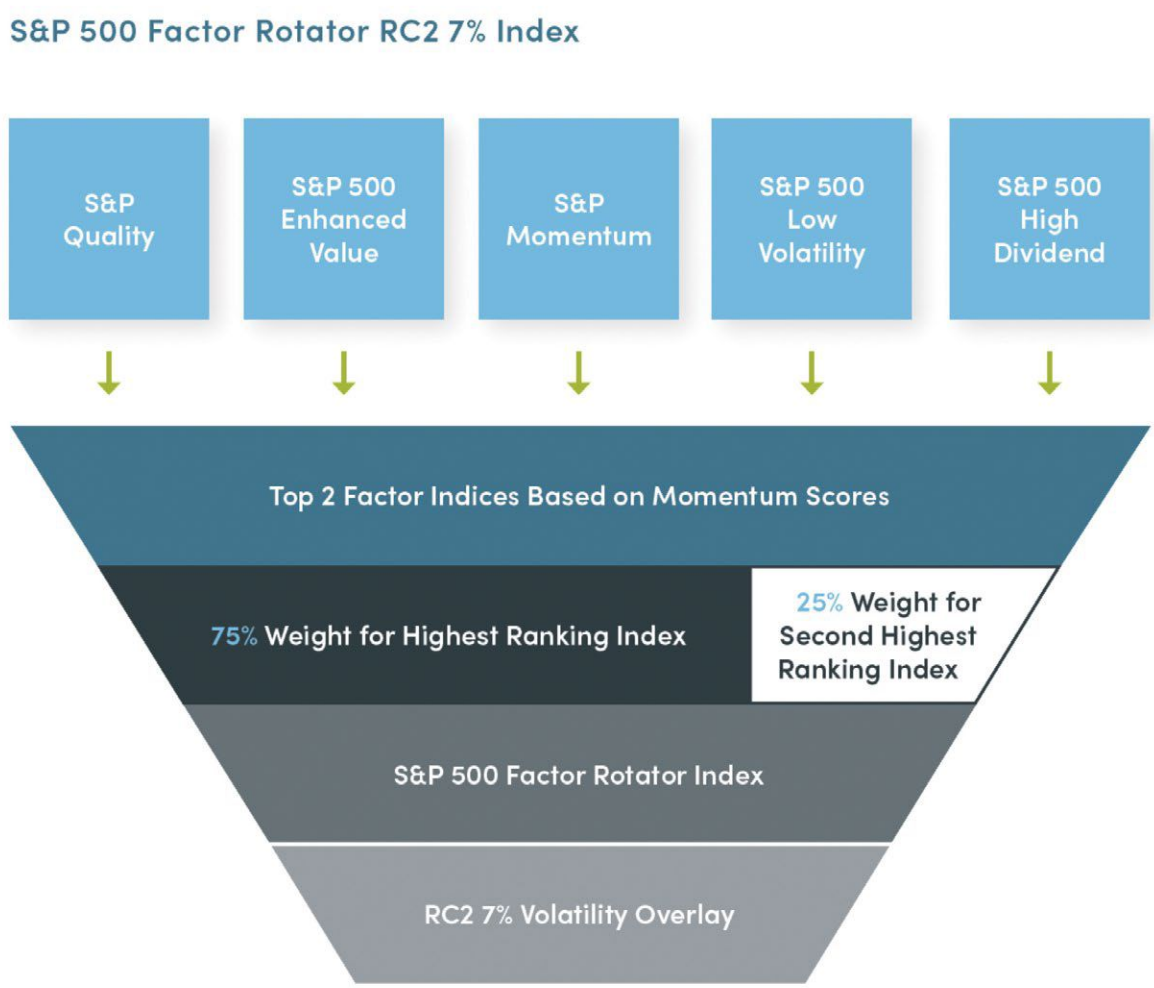
Learn more at russellinvestments.com/us.

Factor Rotation Crediting Strategy

By Kun Qiu
SECURITY BENEFIT

After the Financial Crisis in 2008, the financial services industry was ripe for change for smarter diversification and downside protection. Fixed index annuities (FIAs) provided a useful platform for offering new index crediting strategies with the potential for greater flexibility and interest potential for retirement planning needs.

FIAs have the benefit of guaranteed principal and tax-deferral, so the contract value can increase without the bite of taxes each year. This allows for both the additional compounding of interest, and the deferral of tax payments until withdrawals are taken. And the principal protection feature can help customers ride out volatile times and has the potential to eventually deliver performance in terms of interest crediting. FIAs also lock-in any credited interest at each index term's conclusion, so customers have the opportunity for periodic increases in their contract values, but they will



never decrease due to market declines.

As factor investing has seen significant growth in recent years, one new crediting strategy to consider seeks to rotate between multiple factors in a single, robust index: **The S&P 500® Factor Rotator Daily RC2 7% Index (Factor Rotator)** is built on an innovative approach that is driven by historically proven academic research and features a very simple but efficient rotation process that recognizes the cyclicality of factor returns.

There are certain factors driving long-term returns in the markets, but some do better in certain environments (e.g. COVID) than others. There is always a proven factor winner over a long period, but a rotation mechanism is needed because different factors outperform during different times. For example, late in the business cycle, momentum is known to generate strong returns, while more defensive strategies such as value or low volatility typically lead during market corrections.

Factor Rotator combines factor diversification, volatility exposure and dynamic rebalancing over time to increase the potential of long-term success. The index rotates exposures amongst five well known factors (Quality, Value, Momentum, Low Volatility, High Dividend) and targets a 7% annualized level of volatility.

Every month, the weighted-return index seeks to track the two best performing factors based on past risk-adjusted returns. 75% is allocated to the top performing factor and 25% to the second best. Dynamic rebalancing each month allows for a pivot in the future as factor leadership changes. In seeking to maintain volatility at 7%, the index varies allocations between the equity factor components, the Treasury Note Futures Index, and cash, depending on market performance on a daily basis. This risk overlay provides a robust rotation between equity and safe asset exposure, allocating more to U.S. Treasuries when markets are volatile and more to risk-on equity exposure when markets are calm.

Since factor rotation embraces so many of the potential ingredients for long term success, customers don't need to predict the future as the index will adapt itself to the future as it evolves. This is especially true when wrapped in an FIA that ensures against market loss. ■

As factor investing has seen significant growth in recent years, one new crediting strategy to consider seeks to rotate between multiple factors in a single, robust index.

Factor Rotator combines factor diversification, volatility exposure and dynamic rebalancing over time to increase the potential of long-term success.

Kun Qiu is Co-Head of Derivatives Trading and Analytics at Security Benefit where his team manages a more than $19 billion notional fixed index annuity (FIA) derivatives portfolio and seeks to develop the next generation of FIA products.

Learn more at www.SecurityBenefit.com.

Meeting challenges since 1892

For more than a century, we have met challenges such as epidemics, financial market disruptions, wars, natural disasters and more. Through them all, we remained committed to our strategic focus which is built on the belief that everyone deserves an opportunity to achieve financial security — despite the struggles the country may face. While we call Topeka home, our reach extends across the nation. We are a leader in the U.S. retirement market and continue our legacy of helping people *To and Through Retirement®*.

Security Benefit®
TO AND THROUGH RETIREMENT

Security Benefit products are available exclusively through independent financial professionals.

For more information about Security Benefit, visit SecurityBenefit.com.

SB-10011-85 2021/07/06

Personalization: The Key as Your Clients (and Your Colleagues) Get Younger

WealthManagement.com 2021 Industry Awards Finalist

By William Finnegan
SEISMIC

As a wealth manager, if you don't already have a plan to engage with Gen Z, your opportunities and the long-time viability of your practice could be slipping away. In terms of both recruiting the next generation of clients to your firm, and the next generation of advisors, it's crucial that you speak the right language and embrace a much more personalized approach to your communications than you may ever have before.

Gen Z is the demographic cohort immediately following Millennials, born approximately between 1997 and 2015. Because they came of age at a time when the internet, smartphones and social media were at their most ubiquitous, they are considered the most "connected" generation, and a variety of research studies have confirmed this. In fact, according to a recent report by the IT services firm Cognizant, 55% of Generation Z respondents spend five or more hours per day on their phones.

In addition, Gen Z exhibits a strong preference for personalization from marketers, with 38% endorsing online advertising that is based on their browsing history, according to that same Cognizant report. Interestingly, 35% relayed the growing credibility of user-generated content rather than company-generated content as a means of communicating brand awareness going forward. Also, for all the talk of the importance of influencers, Gen Z seems to be most influenced by those they know and who know them best, with 47% of respondents pointing to family and friends as being key in helping them make decisions around various purchases, with just 25% pointing to social media influencers as having the same kind of impact.

What are the lessons here for advisors? Advisors have to position themselves for two-way, multi-channel communication. Digital-first personalization leveraging social media platforms is critical going forward since the focus needs to not just be on connecting, but on connecting in a way that feels authentic.

Your Digital Game Plan

Zoomers are allergic to static one-size-fits-all content but thankfully there are well-established platforms that advisors can utilize to help bring meaningful, personalized (and compliance approved) content quickly to the forefront. At Seismic, we have built a robust suite of AI-powered tools that minimize the time needed to seek out and vet relevant content, and

which can help determine what will and will not resonate with different types of audiences. In short, it's technology that can pull back the shroud around not just what Gen Z might be looking for, but what other demographics are interested in as well. Advisors must understand the self-discovery nature of Gen Z and how to complement or correct it, using AI, to determine the next best action.

Being able to build and maintain immersive personalized conversations where your audience is living—online and specifically on social media, particularly in this post-COVID world—is an undeniable competitive advantage, not only as Zoomers build their own wealth but also as they become more important voices as rising members of the next generation of high-net-worth families.

To speak in the lingua franca of Gen Z, with the right social selling tools you can avoid becoming the meme of Steve Buscemi holding a skateboard and asking, "How do you do, fellow kids?" and instead find ways to build personalized, relevant conversations that will be more likely to help you engage with prospects and the next generation of financial advisors. ■

William Finnegan is Managing Director, Financial Services Marketing with Seismic.

Learn more at Seismic.com.

SEISMIC

The Willingness and Ability to be Tactical has Never Been More Crucial

By Jeff Rosenkranz
SHELTON CAPITAL MANAGEMENT

Coming into 2021, the Shelton Capital Management credit team anticipated that the vaccination campaign in the U.S. would drive a reopening of society. This would, in turn, foster demand for goods, and then services, which when coupled with supply constraints of raw materials and labor, would put upward pressure on prices and interest rates. Overweighting credit sensitive instruments that would benefit from the reopening of travel, leisure, gaming, cruise lines, basic materials, and energy—while underweighting long-duration, interest-rate sensitive securities and employing cost-efficient interest rate hedges were examples of how to take advantage of that environment.

The forward outlook is promising, but there will inevitably be fits and starts along the way. **After all, there is no playbook for what a post-pandemic recovery looks like.** Therefore, we will draw on experience from other cycles and impart our collective judgement honed over decades in the markets. We will be watching all of the incoming information—economic reports here and abroad, government actions, earnings reports, conversations with companies, and real-time high-frequency data—to discern the pace of recovery. In particular, we will be studying pockets of weakness in sectors to determine if they are simply lagging or are being left behind.

Getting a current read on what is happening in the real world through fundamental research and due diligence, and then applying that information to make meaningful changes to a portfolio offers a tremendous advantage over passive index funds and actively managed funds that are either unwilling, or unable due to size, to react nimbly to such fast-moving data and markets.

Our base case is for continued significant strength in demand for services, such as travel and dining, which could not be enjoyed during COVID-19. An abundance of wealth and savings accumulated during the pandemic but was unable to be spent on services because they generally required human contact. This firepower was turbocharged by the tremendous amount of fiscal and monetary stimulus injected into the economy.

Companies, large and small, have been vociferously telling us for months that they are having trouble filling jobs; this will necessitate rising wages to bring people off the sidelines of the labor market even as childcare and other constraints on labor participation start to ease. Once wages go up, it is notoriously difficult for them to go down, absent a recession. This increase in income will further drive demand for goods and services, allowing producers and suppliers to raise prices to offset wage and other inflationary pressures, creating a feedback loop. While short-term rates may stay anchored low due to an overly patient Fed, longer rates should start to move higher again in the coming months. **Getting this early read on labor market tightness when conventional wisdom was seeing ample slack allowed us to tactically position the portfolio and related SMA portfolios for differentiated returns.**

What if we are wrong in our outlook or interpretation? What if geopolitical concerns—Russia, China, the Middle East, or the increasing prevalence of cyberattacks—boil-over? We will not always be able to see what is around the corner, but we will be able to reassess and adjust quickly, leaning fully on the benefits of our tactical mandate. By adjusting our asset class and sector allocations and tweaking our hedge ratios we can respond dynamically to changes in macro and micro economic environments. We believe these advantages of being a nimble tactical fund are more impactful now than ever. Ask yourself if your fixed income fund can do the same.

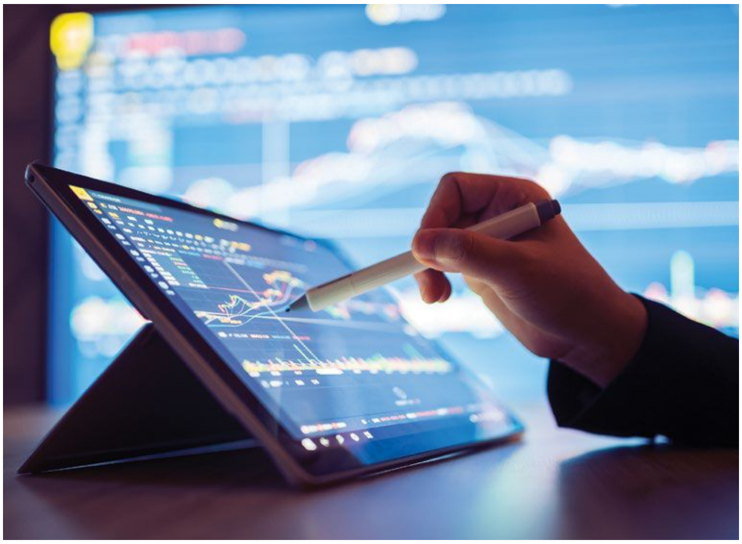
Wishing you an enjoyable and restful summer with your friends and families, and a prosperous second half of 2021. ■

Jeff Rosenkranz is Portfolio Manager, Fixed Income Strategies at Shelton Capital Management.

Learn more at sheltoncap.com.

Direct Indexing to Support Mass-Personalization and Tax Management

SMARTLEAF ASSET MANAGEMENT



Smartleaf Asset Management LLC (SAM) recently hosted a webinar titled "A Primer on Implementing Direct Indexes." Jerry Michael, President and Founder of SAM, and Doug Fritz, President and Founder of F2 Strategy, discussed the benefits and challenges of implementing direct indexing. What follows is an excerpt of that discussion.

Doug Fritz: Maybe as long as I've been alive, there's been a perception that increased customization and bespoke portfolio construction leads to more clients, winning more. I think that's proven out, and it's definitely come as a feedback from all of the advisor surveys that we've done, that, boy, if I just had more ability to customize I'd win more clients.

On the implementation side, let's get into the tactics of how people adopt direct indexing, because it is rapidly moving from theoretical to tactical. If I have a rebalancing tool on my desktop, is that what I need to do direct indexing or do I need something else?

Gerard Michael: Before I get to that, I'd like to take up something you said earlier, which is, hey, customization is good, which attracts clients.

You asked in the very beginning, "why now?" I think there's something else going on which is driving the adoption of direct indexes. And that's the decline of value propositions based on product and trades and performance—the idea that your advisor is kind of a little mini hedge fund, the idea that your advisor is there to beat the market by 40% and talk to you about whatever Cramer said on TV last night. I think that notion, really a brokerage model, is dying. There is, across the board, a growing recognition that the advisor adds greater value, not by trying to beat the market, but by taking on the role of the client's lifetime financial coach. And then things like tax management, which maybe could be ignored if I'm trying to beat the market by 40%, matter. Taxes matter and risk customization matters. So, it's not just that clients respond to customization and tax. I think the whole industry is moving to tax and customization as a central value proposition, as part of this adoption of a different business model, a different value proposition. Direct indexes play directly into this larger industry trend.

But to your second question, which is, hey, I've got a rebalancing system. Am I good to go? The answer is probably no. The whole point of owning direct indexes is that they can be customized and tax managed, and you want to be able to do that at scale. It should be no harder to manage a direct index than an ETF. And that's technically possible. That's doable, and that's doable today. But it's not doable with most of the current systems people have. So, can I just take my current systems and just use it to replace my ETFs with direct indexes across the board? Probably not. You'll either have to upgrade your tech or you might choose, even if you haven't done so in the past, to start outsourcing—just hand this over to somebody else so you can focus on more important things.

Click here for more about direct indexes and how Smartleaf Asset Management's sub-advisory service can deliver customized, tax optimized client portfolios. ■

Learn more at www.smartleafam.com.

SAM Smartleaf Asset Management®

Grow Your Business. Go TAMP.

WealthManagement.com
2021 Industry Awards
Finalist

By Alex Smith-Ryland
SMARTX ADVISORY SOLUTIONS

Is every part of your business process handled efficiently? Fintech companies are hungry to give your clients a better experience—and you should be too.

According to a recent report in the MMI Journal of Investment Advisory Solutions, 56% of CTOs noted that legacy, outmoded infrastructure was the greatest challenge to transformation, more than any other potential roadblock to change.[1] In this modern age of fintech, if part of your business process is still manual, then you are wasting time and money while sacrificing growth and profits.

Though the decision to replace legacy systems is important to an advisor's business, it need not be complicated and expensive. For example, outsourcing portfolio management with the use of a turnkey asset management platform (TAMP), as a first step, requires no extra hardware nor software. TAMPs can be accessed via the cloud over an Internet connection, much the same way traditional banking is done today. This could be easily integrated into an advisor's tech stack, for practices north or south of $500 million of assets under management.

However, not all TAMPs are created equal. Advisors looking to grow their business by using a TAMP should ask three key questions as part of their due diligence:

1. Can my TAMP automatically trade and rebalance in real-time?
2. How does my TAMP handle cash management?
3. What kind of third-party strategies does my TAMP offer?

Trade and Rebalance in Real-Time

Manual rebalancing and executing trades across client accounts is time-consuming and can lead to missed opportunities. On the other hand, a TAMP can feature a robust rebalancer that automatically recognizes position or strategy allocation drift in real-time, builds the trade to correct it, and notifies the advisor of the pending trade. Once reviewed, an advisor can execute the trade with one simple click!

Automated Cash Management

Advisors with required minimum distributions (RMD) know what a manual process this can be. TAMPs can automate one-time and recurring withdrawals with specific instructions, thereby removing one more manual process from the advisor's 'to do' list. The same process can also be applied to the dollar-cost averaging of deposits, creating new efficiencies and a better client experience.

Access to Third-Party Strategies

Keeping up with moving markets while servicing and trading multiple accounts across custodians is time-consuming for any advisory firm. A TAMP provides direct access to third-party strategies for building portfolios tailored to client needs and goals. Whether it be large cap, small cap, or alternatives such as cannabis or cryptocurrency, energy or environmental social governance (ESG), the combination of strategies is endless.

All third-party strategies are automatically traded when updated by asset managers. Whether third-party strategies or rebalancing, advisors no longer must log into each trading platform at each custodian, enter each account, make the trade, wait for it to complete, and then move on to the next. Now pending events, from elections to Fed meetings, can be maximized for the client's benefit with minimal effort.

Conclusion

In the modern era of fintech, advisors should be looking at their systems to see which processes are still manual. Financial advisors looking to grow their business and remain competitive should consider replacing legacy tech as an important first step. Through the use of a TAMP, advisors have immediate access to cloud-based tools designed to save them time and money, while winning new clients. ■

Alex Smith-Ryland is CMO of SMArtX Advisory Solutions.

Learn more at www.smartxadvisory.com.

1. MMI Journal Q1 2021. "Technology for the C-Suite: Driving Competitive Advantage in Investment Management"

SMArtX Advisory Solutions

How the Pandemic Has Forced Technology Growth

WealthManagement.com 2021 Industry Awards Finalist

By Tony Bacarella
SPS FAMILY

When studying trends affecting the financial industry, there is no doubt that technology is high on the list. Financial technology (fintech) comes in all shapes and sizes and has been around for decades. Still, the push to make fintech more efficient has emerged at the forefront of financial professionals' needs. The worldwide pandemic has shined a light on using technology to work efficiently and effectively, especially during these trying times. Ultimately, the use and usefulness of fintech took an enormous leap forward due to the stresses the pandemic put on clients and financial advisors alike.

Over the last few years, one of the most significant growth areas with fintech has been the number and quality of integrations among various tools. Client relations management (CRM) platforms, account aggregation tools, document management systems, financial planning systems, client communication tools, and risk management software have all experienced significant quality improvements. Although using these tools has helped advisors manage their client relationships while also keeping better compliance records, ease of use due to the paucity of seamless integrations has been lacking. Often, advisors were left entering the same data into multiple systems, which is time-consuming and, in many cases, not practical.

Improvements in the number of integrations available and the outlook for higher quality integrations look like the next leap in creating a seamless and efficient fintech ecosystem for financial professionals. The industry has yet to experience a platform that does it all. And the creation of a platform "checking all the boxes" is unlikely due to the specialization of the various tools. However, the industry has experienced massive improvements in the quantity and quality of integrations among the major fintech players.

The fact that fintech firms are no longer working in a bubble is vital on several levels. Financial professionals need to explore each product in their technology stack and distinguish whether they work efficiently and effectively for their clients and practices. Then they should ask, "Do my current technology tools integrate well with each other, or is the use across various tools cumbersome?" Next, "Did price alone play a significant role in selecting one tool over another, or was it the value the tool delivered in the form of effectiveness?" Finally, "Am I using the technology ecosystem to its full potential or using just enough to get by due to complexity and

a long learning curve?" Financial technologies are evolving exponentially, and financial professionals must continually explore how these advancements can add real value to their practice and clients' outcomes.

The financial industry is embracing the importance of technology now more than ever, making it the perfect time to review your tech stack to ensure it's adding value for you and your clients. The worldwide pandemic forced financial professionals to become more technologically savvy. Clients of all ages and tech acumen have embraced technology like never before. They rely on these tools to help connect with financial professionals in ways we had not previously imagined. As an example, I never imagined using video chat with my elderly mother. However, she is now using this tool to regularly talk with family across town and on the other side of the world. Ultimately, financial professionals need to ask, do their technology tools meet the demands of the new normal in financial service? If not, they have some work to ensure quality outcomes for their clients and their financial practices. ■

Tony Bacarella is the SVP of Case Planning at SPS Family.

Learn more at www.sps-family.com.


HAVE YOU HEARD THE BUZZ?
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Lessons Learned from the Pandemic and Tomorrow's Opportunities

By Matt Ahlstrand
SS&C ADVENT

While turbulence in the markets is nothing new for wealth and asset managers, the bumps encountered over the past year lead to several industry changes that could become permanent. So how can managers future-proof their practices? Here are some of the actions clients and industry participants are taking now to capitalize on tomorrow's opportunities.

Taking a deeper dive into ESG and outsourcing. ESG continues to be one of the brightest spots in the industry – attracting assets, media attention and regulation. While environmental concerns get the majority of attention, social and governance aspects are factors as well.

Some investment leaders are looking at their own firm's social responsibilities with a greater focus on employee wellness, burnout, and mental health. However, as the lines between home and work blurred, 50% of respondents to a 2021 CFA Institute survey say they are not committed to the industry. Moreover, commitment and tenure is shaky in IT and operations roles, which have a wide range of opportunities available outside of financial services in younger, less traditional industries. With historically higher turnover, critical operations roles should be prioritized with greater attention and support.

To bridge this gap and supplement their operations functions, firms are increasingly looking for specialized outsourcing partners. By partnering with operations experts, wealth management firms can outsource critical repetitive tasks and reduce employee strain and broader organizational risk. In addition, location flexibility and improved collaboration tools make this more accessible than ever, enabling core employees to focus on servicing and growing their client base.

Furthering client communication and digitalization, which significantly accelerated in 2020. Per a 2020 McKinsey report, advisor loyalty was tested as money was 'in motion' at a rate 3.5 times greater than at pre-pandemic rates. In addition, respondents who transferred a significant amount of money cited an existing relationship and a better digital experience as the top reasons for transferring assets.

According to a J.D. Power survey, wealth management mobile apps usage increased accordingly in 2020, but satisfaction with the mobile experience lagged behind other consumer financial apps. With increased interest and use of wealth management apps, particularly among millennial and Gen X investors, firms would be wise to focus on their digital offerings and self-service options to complement their higher-touch services.

Connecting source systems and their data to enable knowledge workers in their preferred location. Timely and accurate information has always been one of the most valuable resources for wealth and asset managers. However, getting it from the source to the consumer hasn't been easy or cost-effective. The rapid technology changes of the past several years enable greater adoption of open APIs and advances in artificial intelligence, such as machine learning and robotic process automation. As a result, firms can now offer efficient, frictionless, contextualized information for each user in their preferred system. Connected workflow examples include:

- Client servicing teams have client demographic information at their fingertips in the CRM system and performance, holdings/cash, and recent trades from the accounting and order management system.
- Research analysts' model changes flowing directly to portfolio managers for account rebalancing, which then flows directly to trading for execution.

While the wealth management industry was ripe for digital disruption before the pandemic, the dramatic shifts of 2020 have brought about rapid advances in technology and new, forward-thinking business models. Instead of trying to put the toothpaste back in the tube, the most successful firms will recognize the opportunities of tomorrow and seize on the rare chance to implement superior policies and platforms. ■

Matt Ahlstrand is Vice President of Product Management and Solutions Consulting at SS&C Advent.

Learn more at www.advent.com.

Three Areas to Strengthen the Post-pandemic Client and Advisor Relationship

By Eric Rocks
SS&C TECHNOLOGIES

None of your clients is emerging from COVID-19 unchanged. Some clients may have prospered while others may face an uncertain future. No matter our clients' situations, our services have to evolve to meet the new reality of their changing worlds, especially in three critical areas.

Adjusting to new goals

We've all had a lot of time to consider life over the past year. For some, these introspective thoughts will have changed what's deemed "important." These reassessments, including our financial goals and objectives, can mean belt-tightening or wallet-opening or something else entirely. Being responsive to your clients is essential—that connection will differentiate you.

Turning thoughts into actions requires diligence to translate the delta between then and now. Initiate planning discussions with your clients now as we exit the pandemic to set them up for whatever is their new reality. Take advantage of different financial products with different risk and fee characteristics to align their needs with your investing. Ideally, expand your product offering to provide layers of solutions, including active and passive strategies and corresponding fee scales to ensure you can meet your clients' needs.

Fortifying your presence

Your clients have likely been working remotely, which may have afforded them more time to look closer at their portfolios. As we dig into returns, losses, tax offsets and more, our hunger for data increases. Providing your customers practical methods to access their data in digital formats offers a valuable service for your tech-savvy investor. Being able to download a formatted, current transaction or capital gains register directly from your website is an added service you can provide, among many others.

While people were shopping, working and living online more than ever, their expectations for an excellent digital experience rose. So be ready to meet their expectations. Aim for a digital presence that covers most of your client needs, and at least have it available, even if not all clients adopt it just yet.

Providing alternate resources

Having additional investment strategies may become a requirement for your changing client base. Broaden your investment capabilities through fee-efficient investments or

sustainable investments. Preserve your client base by offering access to other firms' models and investment expertise while keeping them onboard. Recognize where your strengths are—if you need additional vehicles to support their needs, partner with a firm to provide those capabilities. The ability to ingest external models and products and offer them to your client base is standard now. Also, consider your trading partners and where you provide value. Today, many platform providers will provide full overlay services for your client base, reducing your cost structures significantly.

No one knows for sure what financial services may be born, or grow, transform or die in the wake of the pandemic. However, we do know offering clients choice, insight and convenience within the context of your relationship is an excellent way to prepare for what's next. ■

Eric Rocks is Vice President and Managing Director of SS&C Technologies, Canada.

Learn more at www.ssctech.com.

Google is Changing Marketing Forever—Again. Is Your Firm Ready?

WealthManagement.com 2021 Industry Awards Finalist

By Johnny Sandquist
THREE CROWNS COPYWRITING & MARKETING

Early on in 2020, Google made an announcement that shook the foundations of digital advertising: The search giant would end its use of third-party cookies in its Chrome web browser by 2022 (they've since moved that deadline back to 2023).

If you found that sentence confusing, let's do a quick rewind.

A cookie is a unique identifier that tracks your web browsing habits. It's how you can search for a dining room table on one website, and then see that same table in an ad on another site. It's also how you can track clicks from your ads and blogs to other pages on your website. Effectively, cookies play a primary role in tracking the effectiveness of digital marketing.

The original intent of cookies was to make the web a better place for users. They could retain information so that when you visit a site over and over again, certain settings would be saved.

Over time, though, third-party cookies became synonymous with invasive targeted advertising.

Blocking third-party cookies is nothing new—users have always had the option available to do so—but Google permanently blocking them means their days are officially numbered. After all, nearly 65% of global users browse the web on Chrome.

Simply put, Google is effectively ending hyper-specific advertising and retargeting, and as a result changing marketing in the digital age for everyone—from top marketing professionals to your Director of First Impressions.

Don't panic. Deep breath. Here's what you need to do.

It's time to double down on building direct connections with your audience—namely your subscriber list and followers on your social channels of choice.

If you don't have any list-building tools, now is the time to make some. Create an ebook, record and publish a handful of on-demand webinars or courses, add a subscription form to your website—wherever you can provide valuable content (emphasis on the valuable) that will make someone stop and say, "I'd like to keep hearing more from this person," do it.

But don't stop there. Take it a step further beyond list-building and build a *community*.

Take a note from all those athletes, musicians, or YouTube celebrities with millions of views. They put their personality out front and ask people to join them in their journey. They

let others into their lives and talk about what matters to them.

They don't simply provide educational content. They offer access to their thoughts and a window into their passions. They let their authentic, unguarded, true personality take center stage. They invite people to join something that's bigger than themselves.

When that happens, people who care about those same things find them, get hooked, and keep showing up.

It's not one-way communication. A conversation develops between the content creator and their community. Together, they create a shared dialogue.

What does this all mean for advisor marketing? It means you need to be intentional about showing your true authentic self. It means you need to define a niche and be hyper-specific about what you do well and who it benefits most. It means you need to do more than promote content—you need to engage with, ask questions of, and relate with the people who choose to join your list.

As you do that, you won't just build a list. You'll build a community. And your business will rise along with it. ■

Johnny Sandquist is Founder and CEO of Three Crowns Copywriting & Marketing.

Learn more at www.threecrownsmarketing.com.

THREE CROWNS
COPYWRITING & MARKETING

Taking Advantage of the New Normal

By Logan Spaw
THREE SIXTY WEALTH MANAGEMENT

Life—and business—as we know it has forever been altered by COVID-19. The pandemic has changed the way we dress, eat, work, and travel, as well as how we relax, socialize, and run our businesses. The past year and a half have been filled with so much uncertainty and unfamiliarity, with no precedent as to how to conduct "business as usual" during a global pandemic. This time period bears no resemblance to the sense of normalcy that we were used to. This change that has taken place has created our *NEW NORMAL*.

When the economy goes through a big disruption, it often creates a massive shift in how businesses operate. Like many industries, financial advisors have had to quickly shift gears in order to adapt to a new style of working from home and meeting with our clients on video platforms like Zoom. The good news is the pandemic has accelerated the adoption and implementation of these new business strategies and technologies that would have normally taken years, if not decades, to become mainstream. We pivoted from in-person, high-touch, highly analog daily interactions at work and school to the exact opposite in a matter of months.

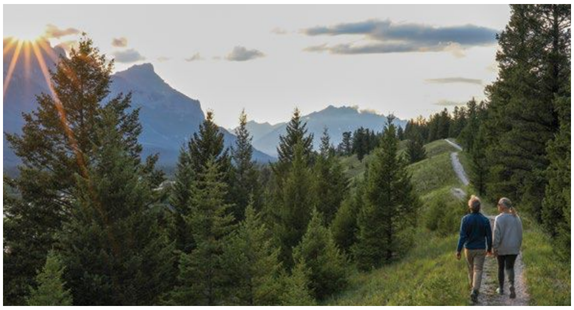
As we continue to navigate the uncharted waters of this *NEW NORMAL*, advisors have now been presented with a unique opportunity to redefine their practice and expand their reach in acquiring new clients and growing their team.

Old Normal

For most advisory firms, there is likely one, possibly two, office locations for a surrounding region where they serve clients. They can easily access the office for in-person meetings, assuming the client is willing to come to that location. The same can be said for team members. An advisor's reach was often limited by their location.

New Normal

Now that our clients have grown accustomed to virtual meetings, many have grown to prefer them, as they see the value of saving their drive time. We are no longer limited by where our office is located and can expand our reach and serve clients across the United States—even globally. We now possess the ability to reach a whole new market of clients and prospects we previously couldn't because we lacked the systems, processes, and technology to do so. We were suddenly forced into a new way of operating, but with that challenge, an opportunity was created to redefine our target client and maybe even add a niche.



Furthermore, the *NEW NORMAL* allows us the ability to find and recruit the best talent, wherever they may be located. Technology made it easy and extremely efficient for teams to work remotely while remaining productive and serving clients at a high level. For example, our firm, Three Sixty Wealth Management, is based in Naperville, Illinois, while I personally am based in Northwest Arkansas. However, I have experienced no issues in being a valuable member of the Three Sixty team or in serving our clients.

Moving Forward

As businesses tiptoe toward fully reopening, I wonder how much of the massive change during the pandemic will prove to be permanent, and what that means for the future. One thing we have learned from the pandemic is that creativity rules, and we have seen just how efficient the virtual world can be. Advisors that adapt and choose to take advantage of the *NEW NORMAL* will be better prepared to leverage new opportunities as we continue to recover from the pandemic. ■

Logan Spaw, MBA, AWMA® serves as a Wealth Advisor at Three Sixty Wealth Management, helping bring clarity and confidence to his clients while simplifying their financial world.

Learn more at www.ThreeSixtyWM.com.

3rd Quarter 2021 Market Outlook: All Eyes on the Federal Reserve

By Steve Lowe, CFA
THRIVENT ASSET MANAGEMENT

In the second quarter, the U.S. economy continued its recovery fueled by low interest rates, government fiscal support programs, increasing employment, and consumer spending. The equity market responded with the S&P 500®, which tracks the average performance of 500 large capitalization stocks, up over 8%. However, value and small-cap sectors lagged relative to the large cap growth sector with its technology orientation.

Interest rates declined roughly 30 basis points for longer term treasury bonds. This is surprising given higher levels of reported inflation statistics and evidence that the Federal Reserve (The Fed) may move away from accommodative policy.

As the second half of 2021 approaches, it is a good time to assess key elements of the economy and to consider whether any changing dynamics warrant changes to investment strategy or tactics.

In a nutshell

	Dec. 31, 2020	Mar. 31 2021	Jun. 30 2021	% Change quarter	% Change YTD
S&P 500 Index	3,756.07	3,972.89	4,297.50	8.17%	14.41%
NASDAQ Complete Index	12,888.28	13,246.87	14,503.95	9.49%	12.54%
MSCI EAFE Index	2,147.53	2,208.32	2,304.92	4.37%	7.33%
US 10-Yr Treasury	0.92%	1.74%	1.45%	N/A	N/A
Oil (West Texas Intermediate)	48.52	59.16	73.47	24.19%	51.42%

Source: FactSet, Morningstar

What has changed, and what has not?

Let's start with some of the key elements that continue to support the economy and markets:

- Consumer wealth is at an all-time high, driving growth. Spending may shift from big ticket and non-discretionary items to discretionary and service items.
- The labor market continues to improve. Unemployment insurance claims and the overall unemployment rate have fallen (still above pre-pandemic lows). Wages are rising.
- Government spending remains an economic tail wind. Pandemic response programs are underway; spending is expected from an infrastructure bill.
- Supply constraints persist. Some pandemic mitigation policies caused supply chain bottlenecks.
- Commodity prices continued to rise with signs of the trend reversing at quarter end.
- U.S. companies tried to reduce dependence on foreign suppliers and manufacturers, contributing to capital spending.
- Financial system liquidity remains high. Pools of capital are looking to be deployed in public and private equity markets, and fixed income markets.
- Corporate earnings and revenue growth were robust.

Now for some key elements that are changing:

- The Fed seemed to acknowledge "dialing back" its unprecedented liquidity policy, with a consensus outlook to adjust short-term interest rates higher by the end of 2023. This is the first indication that the Fed may plan to modestly raise

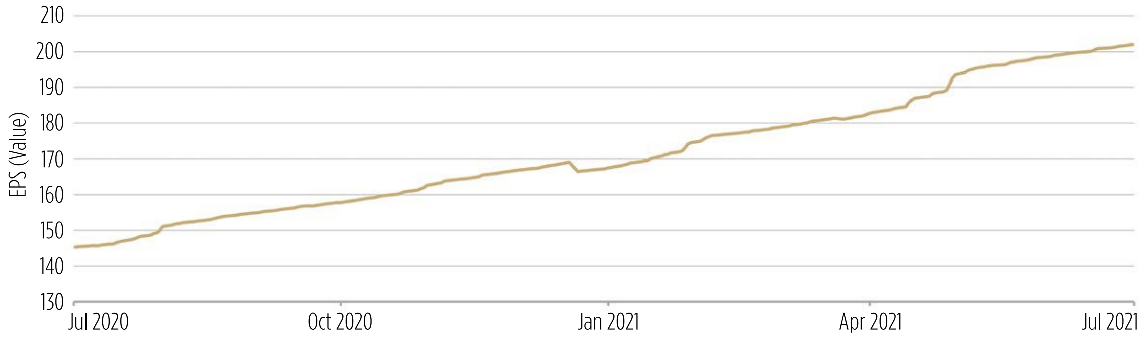
"Consumer wealth is at an all-time high, driving growth."

—Steve Lowe, Chief Investment Strategist, Thrivent Asset Management

Corporate earnings on the rise

Corporate earnings expectations continued to rise in the 2nd quarter, as the economy recovered. The 12-month advance earnings per aggregate share projections for the S&P 500 moved up 10.59% in the 2nd quarter. Through the first six months of 2021, advanced earnings projections jumped 20.66%

S&P 500 Index – Forward 12-month earnings per aggregate share July 1st, 2020 - June 30, 2021



Source: FactSet

rates. Our expectation is that the Fed will announce plans this year to taper securities purchases and reduce the $120 billion in monthly buying early next year. We expect rate hikes in 2023.

- The bond market responded to the possibility of rate hikes by driving bond prices higher (yields lower). Inflation expectations fell; the Treasury yield curve flattened, with short-rates up and longer rates down. This indicates the market believed earlier rate hikes would reduce the likelihood that inflation would increase significantly, which in turn caused longer-term rates to fall. Our expectation remains that rates will rise further, driven by inflation and economic growth.
- In response to the perceived Fed policy change, the U.S. dollar strengthened relative to major global currencies. Meanwhile, the rally in Bitcoin and alternative cryptocurrencies halted.
- The S&P 500 and broad stock market indices were strong. There was a rotation toward large-cap growth and away from small-cap and value sectors of the market. We expect choppiness in value versus growth and large versus small against a backdrop of moderate equity returns.

Our view

Key economic and market supports remain in place. However, valuations remain elevated, especially in fixed income. Interest rates remain stubborn at levels below reported or expected inflation. Fixed-income returns continue to be lackluster. But exceptionally low interest rates serve as a bulwark against significant equity market correction. We remain moderately overweight equities but believe this is not a time to be aggressively positioned.

Speculative market dynamics, such as "meme" stocks and cryptocurrency, are abating. Security selection—focusing on quality, durability, and solid fundamentals—is expected to prevail.

Developed markets appear stronger than emerging markets, which were challenged by rising interest rates, a stronger dollar and declining commodity markets. ■

Steve Lowe is Chief Investment Strategist for Thrivent Asset Management.

Learn more at thriventfunds.com/advisor.

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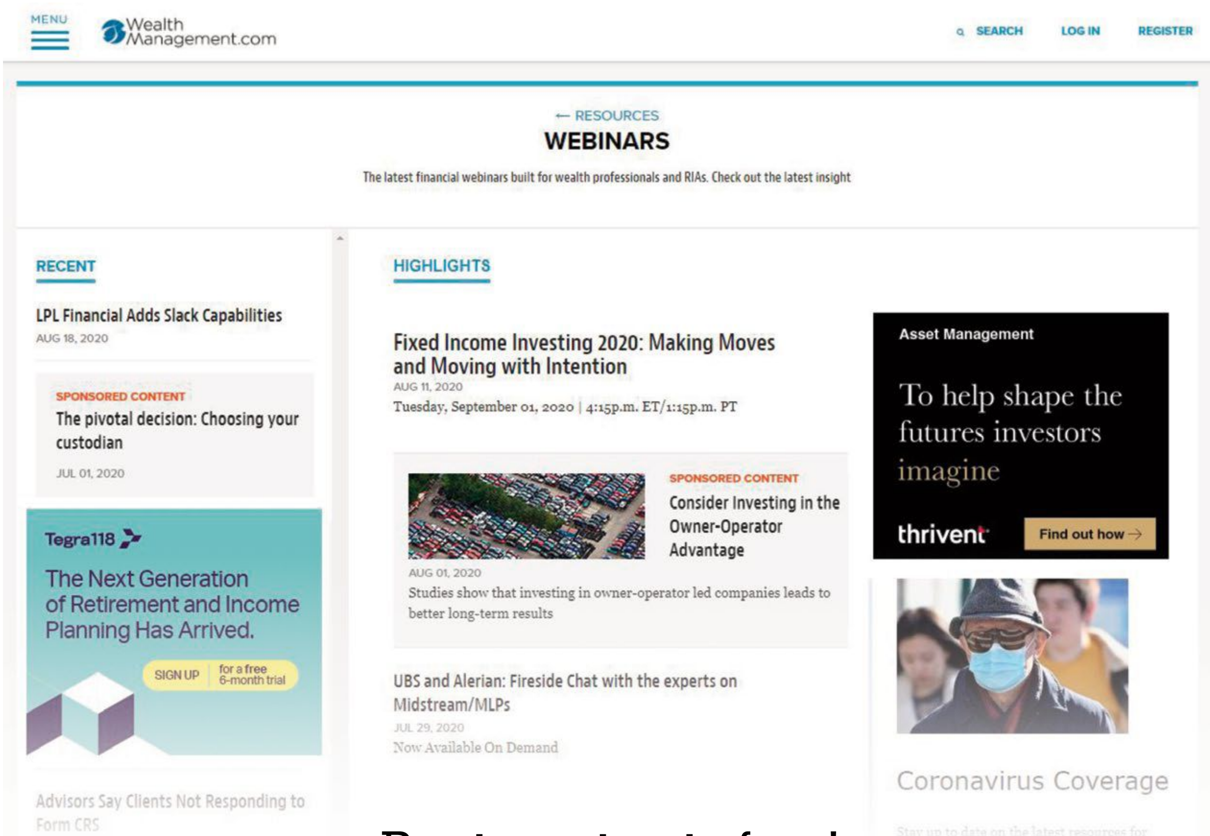

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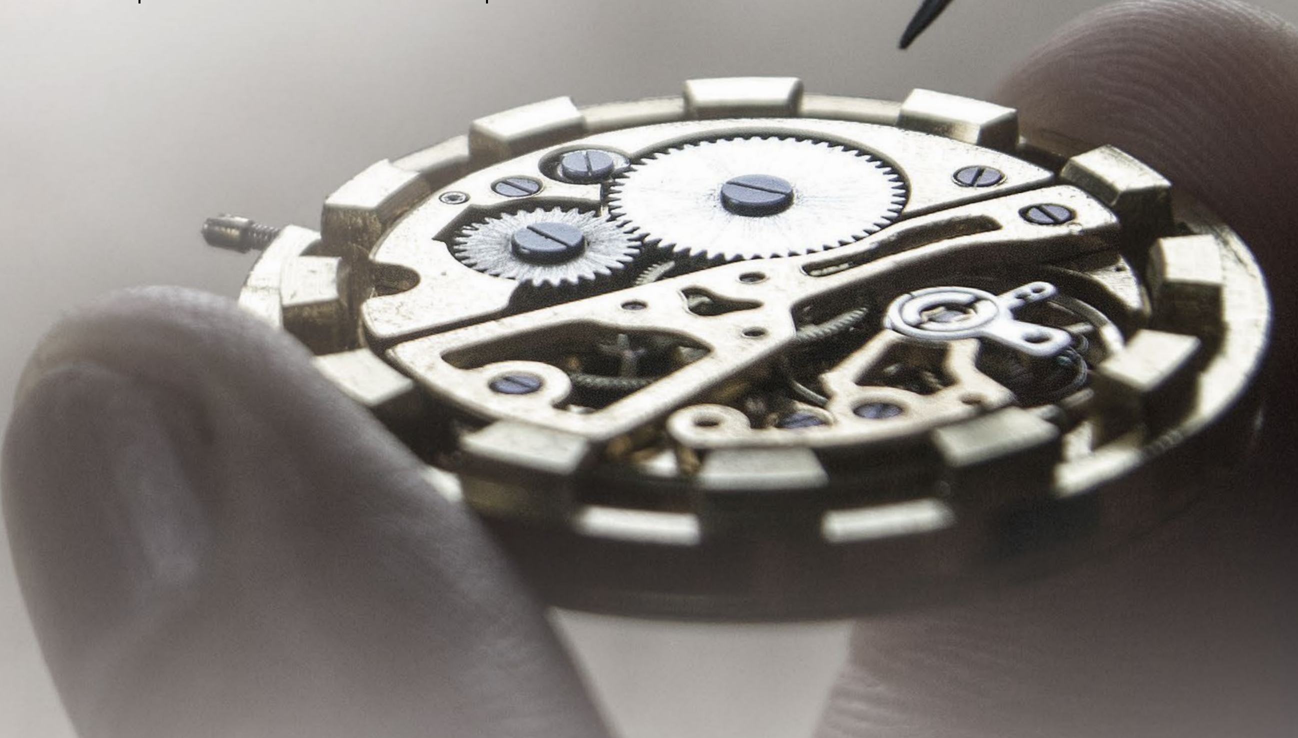

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Take Control of Your Custodial Transition

WealthManagement.com
2021 Industry Awards
Finalist

By Robb Baldwin
TRADEPMR

RIAs are truly a special group. They are entrepreneurs. They love to have control over their business and want to make the best decisions for their team, and their clients. However, even RIAs with the best practices and strongest growth trajectories face the occasional speedbump. One of the most common hurdles for these advisors? Custodial transitions.

Over the years, we have tackled hundreds of these custodial transitions for RIAs—each of these transitions is different and poses unique challenges. However, all this experience has helped us to identify what we believe are a few key actions RIAs can take to drive a successful transition. Whether an RIA is considering a custodial move to gain expanded services, or if they will need to undergo a transition following a custodial merger, keeping these points top of mind could help them to take the reins over their transition and ensure they can make this move with minimal impact to their business.

Control Your Data, Control Your Destiny

While custodial service providers hold onto customer data, we recommend that RIAs also maintain their own data repository. Having access to all customer information at a moment's notice removes a major barrier to a successful transition. We have seen countless advisors struggle to properly pull and organize customer data while undergoing a transition when relying solely on the data held by custodians—it's your firm's data, you should have access to it at all times.

Leverage Your Most Valuable Resource: Your Team

For everything from evaluating providers to conducting a transition, advisors should look to leverage the insights and skills of their full team. At the end of the day, advisors often only use a portion of a custodial offering. Much of the capabilities provided by custodial service providers are used by administrative, operational, or trading-focused team members. These team members are inside these platforms every day, giving them a unique insight into where prospective providers may be falling short. On top of these valuable perspectives, bringing the full team into the transition process eases the strain on every team member: more hands can truly make for less work.

Always Keep the Clients Front and Center

Even with the best laid plans, there can be unforeseen hiccups in the transition process. That's one of the reasons why it's so

important to ensure you're keeping your clients updated on your transition. This transition should be exciting for you and your team—it should mean you're gaining new services and exciting offerings that you'll be able to extend to your clients. Your clients will love to hear about these updates, but they also need to know what they should expect on your end in the meantime. If there will be forms to sign or adjusted availability in your schedule, these clients need to be in the loop. Keeping them up to date on your plans and transition progress will help to make sure everyone is on the same page and will keep them excited that you are making a move to ultimately improve the services you're able to provide.

Transitions are Doable

Advisors who work with merging custodians are nearing a transition, while hundreds of other RIAs are currently evaluating new custodial service providers. These entrepreneurs want the best for their business, and we have found that taking these key steps can make all the difference in keeping them on the right track in the long-term. ■

Robb Baldwin is the Founder, President and CEO of TradePMR.

Learn more at www.tradepmr.com.

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A Hidden Impact of Advisors Working from Home—Freedom to Explore Independence

By Craig Stuvland
TRU INDEPENDENCE

In 2020, the COVID-19 pandemic forced people across the world to adapt to change in the workplace. Financial advisors were no different. Advisors had to reimagine how they met with clients, built their work hours, set up their technology—many times in a home office—and much more. None of those circumstances were unique to advisors of course, as employees across a variety of professions were tasked with responding to the same challenges and have introduced new ways of finding success outside of traditional means. Frankly, we need to not go back to the old way of doing business but learn to incorporate digital practices into how we interact with clients going forward.

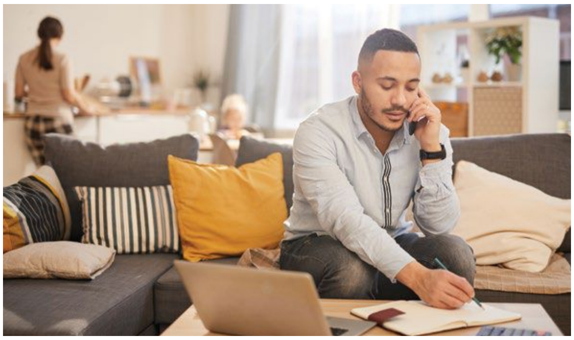
One of the unnoticed impacts of advisors working from home during the pandemic was the freedom they had to explore going independent. Without having to worry about who might be looking over their shoulder, advisors could easily explore their options, learn more about what it takes to start their own business, and even spend time on the phone discussing the possibility with colleagues and prospective clients. And given the likelihood that a "hybrid" work environment will be common for most companies who can comfortably offer it, this is a trend that won't go away anytime soon. So what now?

Going Independent Now—Challenges and Solutions

Newly ambitious advisors who are considering going independent understand the intricacies of their core business—after all it's what they've done at a high enough level to reach a position to consider independence. Often, it's the other aspects of business building that lag behind—areas that are magnified during an increasingly digital workforce where client expectations have shifted.

Advisors should strive to bring a fully digital experience to their clients, especially around onboarding and AOTOA (account opening / transfer of assets). Before the pandemic, Fidelity, Schwab, Pershing and others were planning to make this a reality. They are now closer to a fully digital AOTOA process than they were in 2019 and that expectation with resonate throughout the industry.

Furthermore, advisors need strategies that allow them to quickly adapt to what is necessary for their clients. The expectation is to not force clients into older and dated constraints of the advisory world. "Zoom" is now a household name and



a critical tool in the workforce. Clients might feel more comfortable sending a text or calling their advisor at any point during the week, rather than waiting for a scheduled meeting. Clients are going to expect digital innovations that came out of the pandemic to stay, but don't want to receive these perks at the expense of their financial services expectations.

So what's the answer? There are many ways to take the next step and go independent. If advisors are lucky, they can build an experienced and competent team that can handle advising, lead-generation, marketing, business financials, compliance, etc. It's not impossible but might seem unlikely to those taking the independent route for the first time. A solution? Outsourcing. There are firms out there, like tru Independence, who can help handle all the needs of the actual business, while advisors worry about doing what they do best—advising clients, building financial plans, and prospecting new clients. When a business outsources their financials, compliance, and technology needs, they aren't forced to sacrifice time and personnel away from their core business. Advisors will continue to consider the independent route, and should fell comfortable, even in a digital world, that there's strong options to help their businesses thrive. ■

Craig Stuvland is CEO of tru Independence.

Learn more at www.tru-ind.com.

tru

The Risks to Goldilocks

WealthManagement.com 2021 Industry Awards Finalist

By Jan van Eck
VANECK

The way we think about the financial markets—since no one knows the future for sure—is to identify potential scenarios. Last year, we said that roaring global growth would push interest rates to 1.5%-2.0% during 2021. This already happened in the first quarter! Now what?

Scenario 1: Heading for a Goldilocks Markets

The mainstream, high-probability scenario—“Goldilocks[1]”—is that interest rate increases pause and stock markets continue to make new highs. To support this idea of strong-but-tapering growth, China—the first major country that went through the COVID-19 cycle—is now leveling off after its boom.

Scenario 2: Overheating and Rising Rates Fuel Longer-lasting Inflation

The second scenario is “Wage Inflation”. We like to distinguish between commodity price inflation and wage inflation. Commodity prices have been rallying strongly since last summer with almost all commodity prices at multi-year highs. We believe wage inflation is more important for financial markets. Wage inflation is the driver of a longer-lasting inflation, can be hard to extinguish and may hurt stock markets.

U.S. Inflation Expectations (5 Years Ahead)

Source: Bloomberg. Data as of June 2021. Past performance is not a guarantee of future results. Inflation expectations are measured here using a 5-year, zero coupon USD inflation swap. The swap is a derivative used to transfer inflation risk from one party to another through an exchange of cash flows. In a zero coupon inflation swap, only one payment is done at maturity where one party pays a fixed rate on a notional principal amount, while the other party pays a floating rate linked to an inflation index.

Scenario 3: Be Ready for a Possible Rate Surprise

The final scenario remains that, with this tremendous stimulus, we will see interest rates rise unexpectedly further in the second half of 2021. We believe there is a chance that 10-year U.S. interest rates can exceed 2.5% by the end of 2021—“Rate Surprise”—and that investors should have this scenario on their radar screens. This could lead to turbulence in financial markets. By definition, bonds will fall further. A gradual, growth-driven rise in rates would be okay for equities, but a sharp spike may not be. ■

Jan van Eck is CEO of VanEck.

Learn more at www.vaneck.com.

DISCLOSURES

1. A Goldilocks economy is an economy that is not so hot that it causes inflation and not so cold that it causes a recession.

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Higher Taxes and Inflation Could Slow Economic Engine

By Kenneth Van Leeuwen, CFP©
VAN LEEUWEN & COMPANY

At the mid-point of 2021, the signs point to the economy coming back in a big way, although it may be slow going for a little while. Home prices have increased, the stock market has been on a tear, and many people are feeling cash rich. There's a lot of money around and tremendous pent-up demand. People want to travel, go out to a fine restaurant, remodel their home, or even move to a new one.

Among my clients I find optimism tempered by concerns about the various tax proposals being made by the Democratic majority in Washington to pay for the stimulus and other Covid relief measures. Additional spending on infrastructure, childcare, tax credits and other domestic programs could cost as much as another $5 trillion. Eventually a bill for all that spending is going to come due and paid for by tax increases.

Among the proposals being considered are increases in tax rates for wealthy Americans and businesses, making capital gains rates less favorable, elimination of the step up in basis and reduced estate tax exemptions. Even if Congress doesn't make any changes, several provisions of the Trump tax cuts will sunset in 2026. For example, the current estate tax exemption of $11.7 million will automatically revert back to around $5.5 million in 2026. But there has been talk that the Biden administration has considered cutting it back to the 2009 level of $3.5 million.

In addition to higher taxes, another possible drag on our economic recovery is the possibility of inflation, driven in part by higher labor costs. As stores and restaurants are able to reopen and capacity limits are lifted, many are having difficulty finding enough workers to meet their needs.

This has been especially true for a restaurant industry that is reeling from a one-two punch of first being closed and now being unable to find enough staff. Without sufficient kitchen and waitstaff, restaurants are choosing to open only for dinner or four days a week, slowing those businesses recovery efforts.

To bring workers back, companies, not just restaurants, are going to have to make it very appealing for employees doing things like hiking wages, providing benefit packages, or offering college tuition reimbursement. Chainwide boosts to hourly wages have been announced by McDonalds ($13/hours at company-owned restaurants) and Chipotle ($15/hour on average).

Those kinds of wage increases could contribute to inflation as businesses are forced to raise prices in order to compensate for their increased operating costs.

As wages and prices increase the big question is, will the resulting inflation get out of control and force the Federal Reserve to step in and raise interest rates thereby slowing the economy down. If we can keep inflation in check and taxes at a reasonable level, there's really no reason why the economy shouldn't continue to bounce back for the rest of this year and into 2022. ■

Kenneth Van Leeuwen, CFP© is Managing Director of Van Leeuwen & Company, a wealth management firm he founded in Princeton, NJ in 1997.

Learn more at vanleeuwenco.com.

Content Personalization is Within Everyone's Reach

Wealth Management.com 2021 Industry Awards Finalist

By Joel Goobich
VESTORLY

Millennials are less inclined to hire financial advisors than previous generations, but that doesn't mean they don't want financial advice. What they want is communication that is personalized to their interests and objectives.

As Millennials and Gen Zers influence the way services are delivered, the need for relationship-building hasn't changed. In the financial sector, consumer loyalty still hinges on the relationship between the brand and audience; those relationships are now built online rather than over lunch, connecting through content more than phone calls. Personalized content is now a brand's strongest method of communication with consumers; it's how the brand story is told and shown that their needs are considered.

Businesses in FinTech, banking, and other financial services are learning it requires a more modern approach to financial guidance. Tech-savvy generations want experts to share knowledge with them in a different manner than their parents may have.

Financial brands that understand the need for personalization and use intelligent content curation will rise to the top, earning the trust and loyalty of their audience.

Financial Education Content Beats Conversations with Advisors

There's an urgency in the air for wealth management professionals to embrace wholeheartedly the benefits of content marketing and specifically content personalization. Whereas their parents may have hired a financial advisor to feed them financial advice as young adults, Millennials and Gen Zers head online to do their own research and find reputable sources. It's more important than ever to include intelligent content as a core component of the advisors' value proposition.

The conclusion is apparent—the wealth management community needs to up their game. The resources are in place to help them play in the major league of content marketing.

Content Curation will be Key for Financial Service Brands

Personalized and intelligent content curation is the key to engaging the next generations of investors, savers, and spenders. To stay relevant with the next generation of primary consumers you need a content inventory that combines original content produced by a brand, curated third-party content and licensed content that addresses the needs, pain points, and questions relevant to a target audience. Quality third-party content can be a financial advisors 'best friend' as it is so amazingly cost effective - literally fractions of pennies per content unit. And, it reinforces the messaging through vetted and trusted additional sources of information.

A Game Changer for the Financial Services Marketplace

The good news is that content curation technologies are now in place that provide an efficient way to build an inventory of personalized content and share it in the right places. Thanks to automated, artificial intelligence (AI) tools, financial marketers don't have to cut their teeth doing this work manually. Solutions such as Vestorly, Curata, Advisorstream and others offer scalable and reliable content curation that surfaces content that will meet an audience's interests and just as importantly complies with compliance regulations.

Use Intelligent Content Creation to Personalize the Relationship

The Content Marketing Institute explains that content personalization "exploits visitor or prospect data to deliver relevant content based on the interests and preferences of the target audience."

Simply put, marketers use insightful data about website visitors to create personalized content experiences. Without that data, marketers would be back at square one—creating generalized content for the masses.

Most content curation resources are lacking in the tools to learn from and iterate their content recommendations based on actual audience data. They simply cannot deliver on the promise of personalization. They are just not 'smart enough'. On the other hand, a content curation platform built from the bottom up using AI delivers personalized curated content from anywhere in the world.

What could be better than that? Unlimited streams of uber-focused personalized content.

Why Content Personalization Works

A recent study by Evergage found that the top five benefits of content personalization include:

To stay relevant with the next generation of primary consumers you need a content inventory that combines original content produced by a brand, curated third-party content and licensed content.

Increased visitor engagement (55%)
Improved customer experience (55%)
Improved brand perception (39%)
Increased conversion rates (51%)
Increased lead generation and customer acquisition (46%)

While these benefits all contribute to company growth, in reality they boil down to three qualitative reasons to use content personalization:

1. Personalized Content Creates Authenticity
People prefer to receive content from people they know and trust.

2. Personalized Content Humanizes a Brand
Personalized content to an audience's interests shows that there's a team of humans behind the content they see!

3. Content Personalization Establishes Trust
Personalized content based on intelligent content curation engines that efficiently filter content recommendations based on actual audience feedback help organizations build unparalleled levels of trust. ■

Joel Goobich is Head of Sales and Marketing at Vestorly Inc.

Learn more at www.vestorly.com.

Vestorly

Six Key Fixed Income Themes for the Second Half of 2021

By Matt Toms
VOYA INVESTMENT MANAGEMENT

As we look ahead to the next six months, we believe late cycle market valuations have outpaced the economic reopening but visibility into continued growth will support valuations as the cycle ages. The abundance of liquidity globally increases the risk of asset price bubbles and distortions though the concentration in debt on government rather than private balance sheets lessens the risk of abrupt deleveraging. Below are the six key themes we expect will play out in the second half of the year as we think about positioning across fixed income portfolios.

Global Growth

Reopening will drive synchronized U.S. and European recoveries, led in magnitude by the U.S, with emerging markets (EM) eventually benefiting as vaccinations become more prevalent. Increased investment in developed markets will boost productivity, largely offsetting demographic and other headwinds, resulting in more sustainable global growth.

Europe

The rebound in European growth, though above potential, will be constrained by the limited fiscal capacity of the European construct and will be insufficient to sustain the desired level of inflation. The most likely path to achieving the ECB's inflation goal is a weaker EUR, leaving the ECB intentionally behind the Fed.

China

The passing of Covid-19 marks the pinnacle of China's influence on global goods trade and commodity demand. With the recovery well underway, China will reign in policy support accepting a lower rate of growth as it seeks to shift the composition and prevent asset bubbles. A coordinated global pushback on China's trade and technology practices will lead to a broader distribution of global investment.

U.S. Policy

The gearing of all policy forms towards inclusive growth and more equitable outcomes inherently favors labor over capital. With the peak in fiscal support near, the composition of spending and funding becomes increasingly important. Investment in infrastructure paves the way for higher potential growth. Less productive forms of spending may boost medium-term growth but risk stoking inflationary undercurrents.

U.S. Inflation

Initial dislocations from reopening will recede, but the release of pent-up demand will expose ongoing cyclical inflationary pressures fueled by excess savings, labor frictions, and newfound corporate pricing power. Wage trends beyond Covid-impacted sectors will define the magnitude and durability of these influences. The waning disinflationary influence from globalized supply chains will result in a higher inflation baseline.

Fed

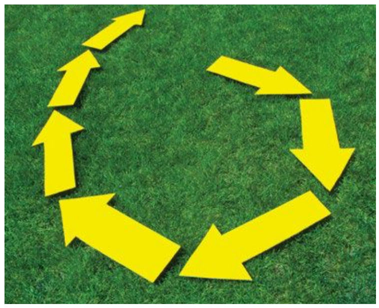
With a reinterpretation of its employment mandate to focus on inclusivity, the Fed will withdraw accommodation only in response to substantial progress on their labor objectives or direct evidence of sustained inflation. Increased political alignment of the Fed and Treasury, providing unprecedented fiscal and monetary support, will soothe markets in the near-term but risks long-term dependence on policy accommodation. ■

Matt Toms, CFA is the CIO Fixed Income of Voya Investment Management.

Succession Planning—Now More Than Ever!

How to create a successful succession plan and why

By Matt Regan
WEALTHCARE



If financial advisors have learned one thing from the uncertainty and tumult of the pandemic, it is that planning and being prepared for the most unlikely scenarios is critical. While advisors proved adept at embracing enabling technology and remote workspaces, one important piece of an advisor's readiness remains stubbornly incomplete across the industry—succession planning. For an industry that is very focused on planning—it is odd to see how low the number of advisors that have a retirement plan for themselves actually is. Perhaps it is just a case of the cobbler's kids that have no shoes, but the problem generally stems from being worried about how to begin the planning process properly and not knowing which elements make up a truly comprehensive approach to succession planning.

What is causing advisors to delay their succession planning?

Advisors are incredibly busy servicing their clients, and struggle to find the time to address their own plans. Advisors are business owners tending to the day-to-day of running their practice—making time a rare commodity. Creating a succession plan can be time consuming, with training, communication, and mentoring needed to ensure a smooth transition of client relationships. Although advisors are typically well insured, understand products like long-term disability and long-term care insurance, and may feel that their estate is well protected, a proper succession plan must address the continued well-being of clients.

On top of that, the thought of giving away their client relationships is generally not something advisors like to think about. Although it might be the right thing to do, including others in a trust-based client relationship can be daunting.

Creating the plan: What are the necessary elements?

Protecting one's estate is one of the first things to think about. Advisors that have built great businesses should have confidence that their estate will be compensated fairly in the case of death or disability and based upon a fair and market-based multiple of revenue or EBITDA. A buy-sell agreement, key man insurance, and other assurance plans are available to accomplish this piece.

Advisors should also think about the protection of their clients' well-being. This could take the form of an agreement with a successor advisor in the same geography, or the mentoring of next-gen advisors introduced to client relationships over time. Transitioning smaller strategic relationships to junior advisors or more automated digital alternatives can be key to the beginning of this gradual process.

The effectiveness of a plan depends on how it is understood by clients and colleagues alike. The existence of a comprehensive succession plan is something that should be communicated clearly to clients. Likewise, other parties like CPAs, attorneys, custodians, and other referral sources should know the details of an advisor's succession plan.

Conclusion: What should advisors be thinking about?

Perfecting the plan takes a lot of thought. Advisors should memorialize and communicate their plans clearly and strive towards creating a practice based upon a planning and investing framework that is repeatable and structured. An approach that is completely bespoke and lacks any platform or structure is worthless in a transition and much more likely to fall apart as things shift. Finally, advisors should plan earlier than they think they need to because there is uncertainty that they cannot control, which was made clear this past year. While advisors spend time attempting to control the controllable on behalf of their clients, they should be doing the same for themselves. ■

Matt Regan is President of Wealthcare.

Learn more at www.wealthcaregdx.com.

Eight Proven Ways to Achieve High-Converting Webinars

By Evan Kramer
WHITE GLOVE

Evidence proves there are superior strategies and tactics when it comes to effectively converting webinar attendees into actual appointments. The top advisors we work with aren't adding thousands of dollars to their marketing budgets; they're just supplementing their approach with easy and affordable (or free!) innovations. Below are eight consistently proven ways you can host high-converting webinars, too.

1. Start with your power opening and introduction

The ideal first time to highlight the post-webinar consultation is once you've captured attendees' attention and after explaining who you are—this is what we like to call the power opening.

Next, outline the points you will cover during the webinar. This sets the stage for attendees to follow along with clear expectations and enables you to put in trial closes during each topic transition.

2. Allow attendees to book with you during the webinar

Using a calendar link allows attendees to book with you at any point during the presentation. White Glove hosts who currently get the most appointment requests are the ones who mention their calendars three to four times throughout the presentation.

3. Leverage polls

Using a poll during the event subtly encourages attendees to weigh in on a concept or question. This increases engagement, which makes the booking process feel more natural.

4. Use embedding to appeal to emotional and analytical thinkers

In your second transition, consider using the technique of embedding to showcase how that call will go. Here's an example:

"I was wrapping up a webinar just like this a month ago when a woman, let's call her Eleanor, booked a call by following the link. Now, there isn't always a need for those calls to go further than that 15-minute consultation, but with Eleanor, we uncovered a few strategies that would go on to save her thousands in taxes this year."

During your third and final topic transition—approaching the close—you'll want to put the calendar link up again and appeal to the analytical thinkers of the group.

5. Deliver your social media plug

Another way to bolster engagement among attendees is to suggest following your social media pages. It's easy—simply put your links in the chat or pop-up.

Hint: most prospects will research you on LinkedIn before deciding to do business with you.

6. Tie it all together

You're now at the point of the webinar where you're ready to close! You'll want to deliver a brief summary of what you covered throughout the webinar before transitioning to your close.

7. Don't stop there

While in-person events typically call for a follow-up call the next day, webinars allow for immediate re-engagement. Aim to reach out right away to all attendees who did not book an appointment.

8. Innovate the follow-up

Have you considered sending attendees a follow-up video? It's easy and more refreshing than just a standard email. You don't need fancy equipment – your smartphone should do the trick. Then, take a screenshot of the recording (selfies work, too) and insert the picture into the email. By right-clicking, you can find the option to link to your video. We see this tactic work best when an advisor sends videos of themselves welcoming the lead to schedule a consultation.

Last but not least…make sure your calendar link is included in all follow-up emails!

For more information about effective webinar strategies, check out White Glove's webinar page. ■

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Learn more at www.whiteglove.com.
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Forget the Trees, How Does the Forest Look?

By Luke Tilley and Evan Kurinsky
WILMINGTON TRUST

Given how much it felt like the year 2020 would never end, it's equally astonishing how quickly 2021 seems to be racing by. At midyear, we are encouraged the economy and markets have mostly fulfilled our expectations as laid out in our Capital Markets Forecast (CMF), where we laid out the case for optimism based on vaccinations, stimulus, and continued growth. The economy continues to improve, and risk assets have performed well. Here, we check in on three components of this year's CMF that have driven markets thus far and we believe will continue to do so going forward.

Productivity: The importance of productivity is a drum we've been beating for years. It's the driver of economic growth, real wages, and profitability—and it keeps inflation in check. After digging into the technologies of the Fourth Industrial Revolution two years ago, in this year's CMF we argued adoption of those technologies was accelerated by the pandemic and the effects would play out over 2021 and for years to come. Firms have come through on that expectation in a massive way and all indications are that it will continue. Although total capex was just 1% above the pre-pandemic level in 1Q 2021, the underlying detail reveals a push in tech with spending on computers and software up 26% and 10%, respectively. It is visible with large firms that get the headlines. Apple plans to spend $430 billion domestically over the next five years in technology and manufacturing capacity; Walmart plans $350 billion over 10 years; and Intel is shelling out $20 billion this year. It's also visible in our everyday lives; restaurants and coffee shops whether local or corporate that previously had clumsy, barely functioning online presences now have efficient online ordering and menus viewable by scanning a QR codes; and retail shopping is similarly enhanced.

All of this translates to strong productivity at the aggregate level and can be seen in the data. U.S. manufacturing output is down just 0.5% from pre-pandemic levels even though employment in the sector is down 4%. Similarly, retail sales are up 20% while employment in the sector is down 2.5%. Economy-wide productivity is now expanding at the fastest rate since the early days of the previous recovery. While we acknowledge that spurts of productivity are normal and expected immediately after a downturn as the economy recovers but hiring lags, we maintain our view that the investments businesses have made are a contributor to their improving earnings estimates and share prices.

Inflation: We highlighted inflation as an important component of the outlook for the year, but our record is mixed. Except for the base effects we've now seen in measuring year-over-year inflation to the shutdown months of March, April, and May 2020, we expected inflation to remain lower than it has thus far this year. We were optimistic about the vaccine rollout, but did not expect reopening to come as quickly as it has, and we definitely did not plug in a near-$2 trillion stimulus in March, a key driver of the recent acceleration in prices. However, the more important component of our inflation outlook was that long-term inflation expectations would move higher after drifting too low for the preceding five years. The downward drift in 2014 was initially triggered by the collapse of oil and gasoline prices, but a confluence of other factors, including Federal Reserve rate hikes and falling import prices, also contributed. Low expected inflation hits investors by dragging down long-term bond yields and also limits the Fed's ability to effectively operate monetary policy.

In our outlook, we projected an inflection point in the decades-long decline in inflation and bond yields coming from multiple factors. The Fed's revamped approach to monetary policy to achieve higher inflation, firms' reorganization of supply chains, along with the recovery from the virus-induced recession should push higher those critical long-term inflation expectations. Thus far consumers have followed suit, bringing back those expectations to levels that prevailed before the recent collapse. We believe this increase is durable and will help to lift up long-term yields on a structural basis to a higher point than they had been in the previous economic cycle.

Industry consolidation: We examined how a multidecade trend of increasing industry consolidation put greater power in the hands of fewer companies over time. At the time of writing, the M&A market was witnessing a resurgence of activity following a pandemic-induced pause earlier in the year and we expected momentum to accelerate further in 2021.

M&A activity has indeed continued at a rampant pace, as companies awash with liquidity reshaped business models to better compete in a post-pandemic world. From January through May of this year, global M&A volumes surpassed $2.5 trillion, marking the strongest first five months on record and a 178% increase from the same period in 2020.[1] Deal activity increased substantially across all regions and sectors relative to 2020, but it was technology that took the spotlight with M&A volume leading all sectors and increasing nearly fourfold from the same period in 2020.

We anticipated that technology deals would be increasingly sought after this year as the pandemic accelerated digital adoption, both by consumers and on an enterprise level, but perhaps more surprising has been fierce competition not only from companies making strategic acquisitions, but also from private equity firms, which have shifted focus to higher growth investments. In addition, after an IPO renaissance in 2020, special purpose acquisition companies (SPACs), which raise money first through an IPO before finding a private business to take public, have had an insatiable appetite for tech, and accounted for roughly $110 billion of technology M&A volume in 1Q 2021.

The overarching question of whether industry consolidation increased as expected this year is a bit a more nuanced to answer. On the one hand, many companies have pursued larger and more transformative transactions, with a record amount of deals over $5 billion in size. On the other hand, many others decided that bigger isn't necessarily better and opted to narrow their focus. Corporate divestitures hit an all-time record for the first five months of the year as many firms sold less productive assets to strengthen balance sheets and center their attention on core segments.

Looking forward, all signs point to a strong second half of the year for M&A. Rising vaccinations across the world are providing a light at the end of the pandemic tunnel and companies remain well capitalized. However, two important factors could put a lid on deal flow further down the line. First, the looming risk of higher taxes may pressure management teams to fast-track transactions this year rather than wait. Lastly, the risk of stricter antitrust laws and heightened scrutiny from regulators could potentially reduce activity, particularly for mergers involving the largest technology firms. ■

Luke Tilley is Chief Economist and Evan Kurinsky is Research Analyst at Wilmington Trust Investment Advisors, Inc.

1. Citi Research, Dealogic

Five Benefits of Joining a Leadership Study Group

By Katie Cullen
WIPFLI FINANCIAL ADVISORS

Business leaders know how time-consuming it can be to run a business, service clients, attract new clients and develop employees. Even when you attend conferences and webinars to learn from industry leaders, it can be all too easy to return to the day-to-day of running your business without taking action on what you learned.

As someone who ran think tanks for the past decade, I've seen firsthand the power of leadership study groups. When leaders of different wealth management firms come together to share experiences, talk through challenges and collaborate, each firm is in a much stronger position for sustainable growth.

Benefits of Leadership Study Groups

1. **Get ideas for how to do things better**
   A study group gives leaders the opportunity to share successes, gain new perspectives and collaborate. It's a place where you can safely ask for input—where other leaders help you see what you haven't considered. Many study groups also have access to events and thought leaders that would not be available to any one firm or individual from a typical cost or access standpoint.
2. **Avoid making the mistakes of others**
   All leaders make mistakes. Some ideas just don't pan out how you expect. In a study group, each leader can learn from each other's past. Some may even have insights into why a certain idea or initiative went wrong. Having a sounding board that serves as a trusted group of collaborators can help challenge and inform decision making.
3. **Enforce accountability with trusted people**
   Many study groups have rules of engagement, such as meeting cadence, required participation and rotating leadership. It takes time, but this helps ensure everyone puts in a similar level of effort and builds trust. You can also rely on your members to hold you accountable for executing on ideas, which is a valuable benefit considering how busy leaders are.
4. **Give clients confidence in your firm**
   By sharing publicly that you're a member of a study group, you can reassure clients that you're a lifetime learner who believes in gaining input from others in the industry. Clients gain comfort knowing that their trusted advisors have access to the widest range of experts who collaborate to share and perfect ideas.

5. **Collaborate with other leaders**
   I've seen study group members collaborate on their investment due diligence, thought leadership, talent development and more. There's a true correlation between growth—both personal and business—and collaborating with others in a trusted environment. It can be lonely as a leader, having a cohort in a similar role can be the key to unlocking future success and fulfillment.

The Role of Authenticity

Study groups are most effective when they reach the level where each member is comfortable enough with each other to be authentic. Sharing your mistakes and asking for input requires a level of time, trust and vulnerability. Sharing ideas requires understanding that you aren't giving away your competitive advantage but rather opening yourself up to new possibilities in a way where the tide truly does lift all boats.

If you want to take your development and business to the next level, create or join a study group. I've seen the benefits in action. It can be the defining difference in your ability to compete in a rapidly changing world, outpace competitors and grow your business. ■

Katie Cullen, CFP®, is Chief Strategy and Innovation Officer at Wipfli Financial Advisors, LLC.

Learn more at www.wipflifinancial.com.

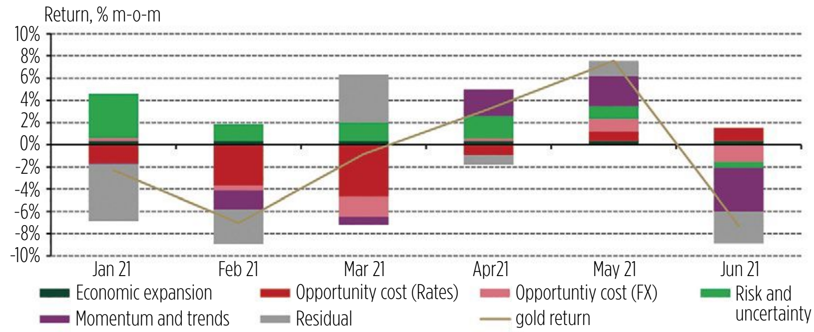
Gold Mid-Year Outlook 2021

By Juan Carlos Artigas
WORLD GOLD COUNCIL

The first half of 2021 has proven to be very interesting for the gold market and a good example on how its diverse sources of demand and supply interact. The gold price has dropped by more than 5% y-t-d,[1] driven primarily by higher interest rates—especially during Q1 and then again in late June—and a more upbeat investor sentiment as the global economy has recovered from the severe impacts of COVID-19 during 2020.

Gold's performance was well explained by its traditional drivers

Contributions of gold price drivers to periodic gold returns*



*To 30 June 2021. Our short-term model is a multiple regression model of monthly gold price returns, which we group into the four key thematic driver categories of gold's performance: economic expansion, market risk, opportunity cost, and momentum. These themes capture motives behind gold demand; most poignantly, investment demand, which is considered the marginal driver of gold price returns in the short run. 'Residuals' represent the percentage change in the gold price that is not explained by factors currently included in the model. Results shown here are based on analysis covering an estimation period from February 2007 to June 2021.

On Goldhub, see: Short-term gold price drivers.

However, there have also been supporting factors for gold. Concerns of higher inflation have offset part of the drag that interest rates brought. And the strong response from governments to aid in the economic recovery through monetary and fiscal policies have made some investors worried about currency risks and capital preservation. In addition, gold benefited from a recovery in consumer demand in Q1 although 2nd waves and new lockdowns presented challenges in Q2.

As we look forward to the second half of the year, we believe that there's still upside potential for gold investment.

While a rise in interest rates may continue to create headwinds for gold in the near term, we believe that central banks will not surprise the market by tightening monetary policy quicker than expected, keeping the overall opportunity cost of holding gold subdued. In addition, the ultra-low interest-rate environment that investors have faced for the past year is creating structural changes in asset allocation, pushing investors to add more risk to their portfolio in search for return. Our analysis suggests that this will likely increase the need of holding assets such as gold for downside protection and diversification. In addition, while the rise in consumer price inflation could be temporary, other metrics such as money supply or savings rates in some Western markets suggest that a high inflation environment may last longer. This may prompt investors to consider gold as a means to protect against the erosion of capital. Finally, technical indicators suggest that gold's recent pullback may be overextended and could open an opportunity for strategic investors to add to their gold exposure.

However, it is important to look at gold not only through the lens of investment. Overall, the global economic recovery and the recent price pullback should continue to support of gold consumer demand, but surges in COVID-19 cases due to new variants are significantly impacting key markets such as India. Finally, central banks have steadily increased their allocation to gold so far in 2021 and our research indicates they'll likely continue, and may deliver net purchases at the same rate or potentially higher than 2020.

Investors can use QaurumSM, our web-based valuation tool, to understand how different macroeconomic scenarios may affect gold's performance. ■

1. As of 5th July 2021, based on the LBMA Gold Price PM in USD.

Juan Carlos Artigas is Global Head of Research at World Gold Council.

Learn more at www.goldhub.com.

WORLD GOLD COUNCIL

Proven Strategies from Top Advisors to Accelerate Growth and Increase Business Value

By Bill Van Law
WVL GROUP

With M&A activity at an all-time high, the drivers of business valuation are front and center for advisors as they search for the best strategies to improve results. Here's a brief overview of how top advisors are achieving exceptional results in today's turbulent and uncertain times.

It all starts with a plan. As Yogi Berra famously stated: "If you don't know where you're going, you'll end up somewhere else". This is so true. Being thoughtful and deliberate about strategy, developing your vision, and creating a tactical plan to achieve your objectives are key to long-term success. While not easy, this process produces consistent long-term results and is a key differentiator used by top advisors.

You can't improve what you don't measure. Much has been written about the importance of creating and monitoring Key Performance Indicators (KPIs). While it has become almost cliché, it remains one of the true fundamentals of long-term success, as tracking outcomes, including individual contributions, is critical to creating a performance-based culture and improving results. Of course, as with many other tools, how they are used is the real differentiator. As KPIs have become more broadly adopted, in many firms, they are just another report reviewed periodically by the management team. Top-performing advisors understand what is truly important and drive results in these key areas to achieve long-term sustained success.

Life (and your business) is better with a great team. In the end, you can't drive results without the right team. That said, it is about more than just talent. We have all witnessed sports teams loaded with talent who have failed to reach the finals, let alone bring home a championship. Developing a winning culture requires synergy, complementary skills, teamwork, and a vision that is consistently communicated by leaders committed to the success of the organization and the members of their team.

Technology and process drive efficiency. Delivering a world-class client experience consistently, across the organization, has significant implications on achieving sustained growth and profitability. Developing disciplined and consistent processes that leverage technology will also improve margins as your team becomes more efficient. Margins vary widely and utilizing technology and creating disciplined processes can have significant implications on growth and profitability. In fact, top performing wealth firms are using these strategies

to drive margins well above 30%, and even higher, resulting in significant increases in both earnings and valuations.

Great businesses to own earn a premium valuation when you sell. The best firms to own long-term are those that produce high current income with solid growth rates. They also command a higher valuation, as scale and growth will drive a higher multiple. This has resulted in a bit of a dilemma for many founders/owners, as the long bull-market has created attractive earnings, cash flow, and growth rates. Current valuations are extremely compelling, and with the prospect for higher tax rates on long-term capital gains, many advisors are actively exploring potential succession solutions.

Whether you are ready to sell or building your firm for the long-term, these strategies can help drive accelerated growth and higher income, while also improving valuation and the potential for a lucrative exit when the time is right. ■

Bill Van Law is Founder and CEO of WVL Group, a consultancy for financial services companies whose primary mission is partnering with founders to develop and implement business and succession strategies that build on their legacy for the long-term benefit of clients, founders, and next-gen leadership teams. A frequent speaker and industry thought leader, Bill is known for his commitment and compassion as a leader in business and the community.

Learn more at www.WVL-Group.com.

WVL GROUP

Three Risks Lurking Below—and How Data Analytics Can Help Mitigate Them

By Ryan Nauman
ZEPHYR

We should not be fooled by the unexpectedly strong economic rebound, the streak of market highs, or the prolonged low-interest rate environment: Equity risk still lurks below the surface and could catch wealth managers off guard over the next six months if they fail to isolate it.

But advisors who want to fortify portfolios from the three most significant risks—a market selloff, runaway inflation and excessive exuberance—do have basic tools at their disposal in the form of data analytics to help identify managers who mitigate losses.

If the Federal Reserve, for example, begins tapering its asset purchase program—or intensifying talks over its plan to do so—over the next half a year, as many believe it will, advisors may be caught in a market unprepared for the subsequent reduced liquidity.

There is an argument to make that tapering will not cause the same panic it did during the 2013 taper tantrum as investors have been expecting the Fed to slow its quantitative easing for some time. But advisors concerned that the reduced liquidity and tighter policies will trigger a selloff can use the pain index to look for managers with superior capital preservation tendencies.

The index, which attempts to measure the complete scope of losses, addresses the shortcomings of maximum drawdown by measuring the depth, duration and frequency of all periods of losses.

When it comes to the Fed, advisors also have runaway inflation to worry about. The central bank has insisted the inflation we've seen is "transitory," holding steady on rates even as prices have surged to multi-year highs. Yields spiked early in the year as fears grew that inflation would become unmanageable and the Fed would have missed its chance to control the overheating by remaining on the sidelines.

While those fears have subsided, there are reasons to monitor how "transitory" the inflation really is over the coming months. If the Fed is wrong and prices surge higher, we could see 1970s style double-digit inflation.

With any runaway inflation, we are likely to see increasing market volatility, resulting in significant downside risk. Here, advisors can gain valuable insights into how a manager manages downside risk by leveraging downside deviation.

Downside deviation addresses the shortcomings of standard deviation, which makes no distinction between the

"good," or upside deviations, and the "bad," or downside deviations. It eliminates upside observations to focus only on "bad" returns.

Lastly, investor sentiment is going to remain high with any market experiencing record equity prices and the benefits of easy money policies. That stretched optimism, however, could accelerate a market selloff, making excessive exuberance a significant risk to watch for.

Margin debt has surged to record levels while the AAII Investor Sentiment Survey bearish indicator remains at multi-year lows and equity put/call ratios remain well below long-term averages. If an event triggers a selloff and excessive exuberance accelerates that selloff, advisors should watch for the down capture ratio to analyze the fear element of markets.

Down capture measures the percentage of market losses endured by a manager when markets are down and addresses the shortcomings of beta, which fails to distinguish between up and down markets. ■

Ryan Nauman is a Market Strategist for Zephyr, which delivers portfolio analytics to advisors and portfolio managers to retain and grow client relationships. Zephyr is a subsidiary of Informa plc (LSE: INF), a worldwide industry leader providing data, research and insights to financial institutions.

Learn more at Zephyr.com.

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