MAR 2018 ISSUE 83

ADVISORS magazine

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THE WOMAN WARRIOR

ARJUNA CAPITAL
Moving the Needle on Gender Pay Disparity

Bitcoin Bust That Wasn't
High-profile figures bashing Bitcoin

Volatile Stock Market
Turns investors into gamblers

Employee Retirement Plans
Exploring the future of a "gig" economy

Financial Planning
Not a do it yourself endeavor


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It's 2018 and men are still paid more than women for doing the same job.

Statistics tell us that women make up almost half of the American workforce. They earn more undergraduate and graduate degrees than men do, and they are the sole breadwinners in half of American families with children. Yet, on average, women continue to earn noticeably less money than men. And there's more. Women hold fewer leadership positions in corporate America, accounting for less than 5 percent of Fortune 500 CEOs. On page 10, writer Jane Meggitt's explains how Natasha Lamb takes on corporate America by holding them accountable for their contribution to gender disparity pay in the financial industry and on Wall Street.

Bitcoin, a major player in the digital currency arena, has had its share of bad publicity recently. On page 6, Matthew D. Edward's article, "The Bitcoin Bust That Wasn't (And Isn't)" examines the state of the cryptocurrency – where it's been, where it's headed – through the views of real-life "Wolf of Wall Street," Jordan Belfort and leaders in the financial industry.

Another trending topic included in this issue is a discussion of companies that outsource employee retirement plans. On page 20, writer Amy Armstrong covers an interview with Troy Tisue that highlights how his firm helps companies to identify the best employer sponsored employee retirement benefit plans. One option is for an employer to join a pool of other employers who all purchase the same type of benefit plan allowing them to have access to much more affordable plans to offer to their employees. Tisue's testimony at a recent U.S. Senate Subcommittee Hearing that explores a "gig economy and the future of retirement savings is also discussed.

And finally, financial expert, Steven Selengut shares his perspective on stock market volatility. He says even the savviest businesspeople can feel insecure when investing in stocks. He shares his insight in "How a Volatile Stock Market Turns Investors into Gamblers" on page 15.

Happy New Year,

Erwin Kantor

Erwin Kantor, Publisher

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BUSINESS / FINANCE

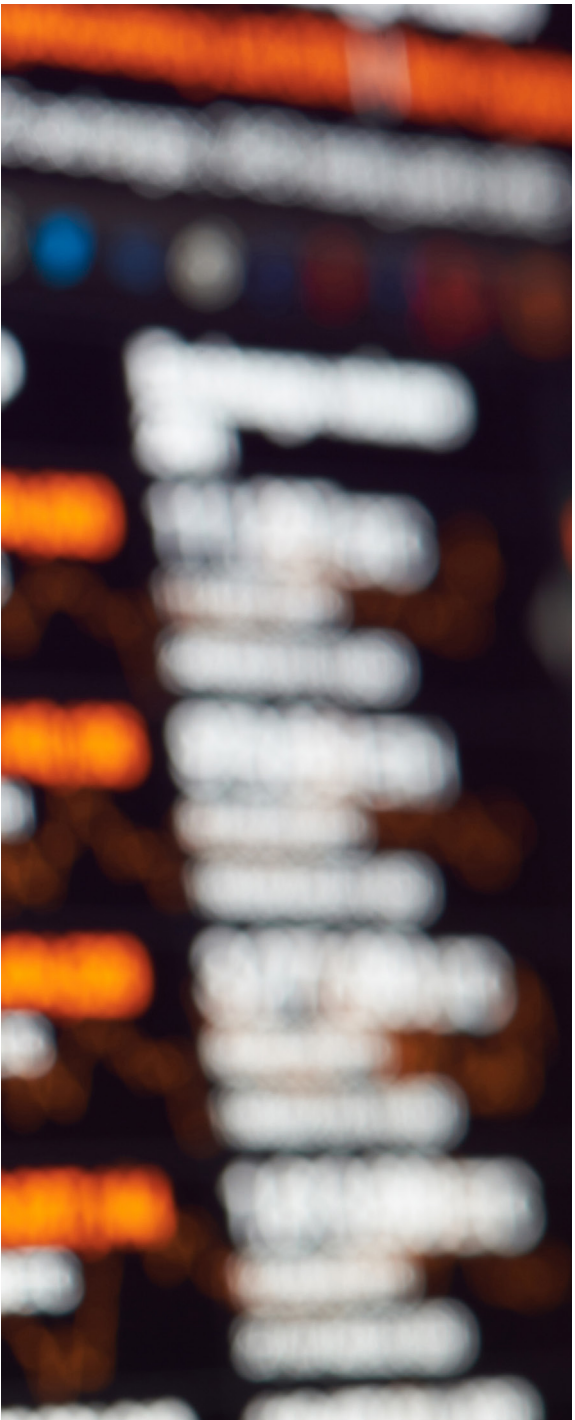
BY MATTHEW D. EDWARD

THE BITCOIN BUST THAT WASN'T (AND ISN'T)

Several high-profile figures bashed Bitcoin recently, but what's really going on?

As Bitcoin plummeted from its $20,000 all-time high to a more modest price at about $8,000, the critics, almost immediately, started piling on.

"At this point in time, the money has been made in bitcoin already," said Jordan Belfort, the so-called "Wolf of Wall Street" who is now a motivational speaker. Belfort, in an interview with "The Street," took aim at Bitcoin and other cryptocurrencies, describing proponents of the fiat fund as "scamsters."



Belfort's not the only one. Jamie Dimon, chief executive officer of J.P. Morgan Chase, also has called Bitcoin a "fraud" – he later softened his remarks, but not his stance on the then-soaring cryptocurrency. Even Bill Gates weighed in on Reddit, a web forum popular with millennials, describing crypto's anonymity as a tool for criminals to sell drugs and hide illicit profits. Indeed, Gates went so far as to say Bitcoin and its underlying blockchain technology "has caused death in a very direct way." Google also banned ads for cryptocurrencies earlier this month (Facebook has banned them since January) after the company said many such advertisements use deceptive language.

Is Bitcoin dead?

Bitcoin buyers who jumped in when it skyrocketed past $15,000 or so might think so, but it's more likely the cryptocurrency simply is leveling off into something more sustainable. And Belfort's prediction that Bitcoin will "drop to zero very quickly," remains as unlikely a scenario as the cryptocurrency skyrocketing back to $20,000 without warning.

So, what's really going on?

Byzantine Blockchains

Those unfamiliar with Bitcoin – and other cryptocurrencies – might need an explanation of blockchain.

Blockchain is a digital ledger secured with cryptography that can be used to verify online ownership and transactions. Without blockchain, Bitcoin and other digital currencies would struggle with policing double-spending, or there would need to be a third party involved in transactions. A third party, however, would defeat the purpose of Bitcoin, and so the blockchain becomes an essential component of any digital currency.

"This is the Internet creating its own value transfer system," said Charles Hayter, chief executive officer and founder of CryptoCompare, a U.K. service that compares cryptocurrency prices across various exchange platforms.

In academic circles, the blockchain is described as holding more promise than Bitcoin or other existing digital currencies. Several academic papers have noted that the blockchain technology could be used by traditional banks to develop more secure transactions and that Bitcoin's unstable purchasing power makes it unlikely that the blockchain is being used to its full potential. Without a stable purchasing value, the only point to holding Bitcoin idle is speculation or illicit transactions. Blockchain technology, however, is being actively pursued by several traditional banks.

Currently, IBM's Hyperledger Fabric project intends to create a blockchain system tying together major banks. The Hyperledger has attracted interest from some of the world's largest banks such as Deutsche Bank, HSBC, KBC, Natixis, Rabobank, Societe Generale and Unicredit. Other projects have seen institutions like Credit Suisse, UBS, and State Street sign on.

Technology and cryptocurrency media have watched the banking industry's developments with both a sense of optimism and trepidation – a January article in CoinDesk, a cryptocurrency information service, took aim at the banks for doubting the usefulness of the technology in the first place, but noted that increased investment from the

sector could produce interesting, and effective technologies. It may be some time, however, before the technology is ready for primetime as many banks remain in the prototyping and testing stage with their respective products.

Alternative Alternatives

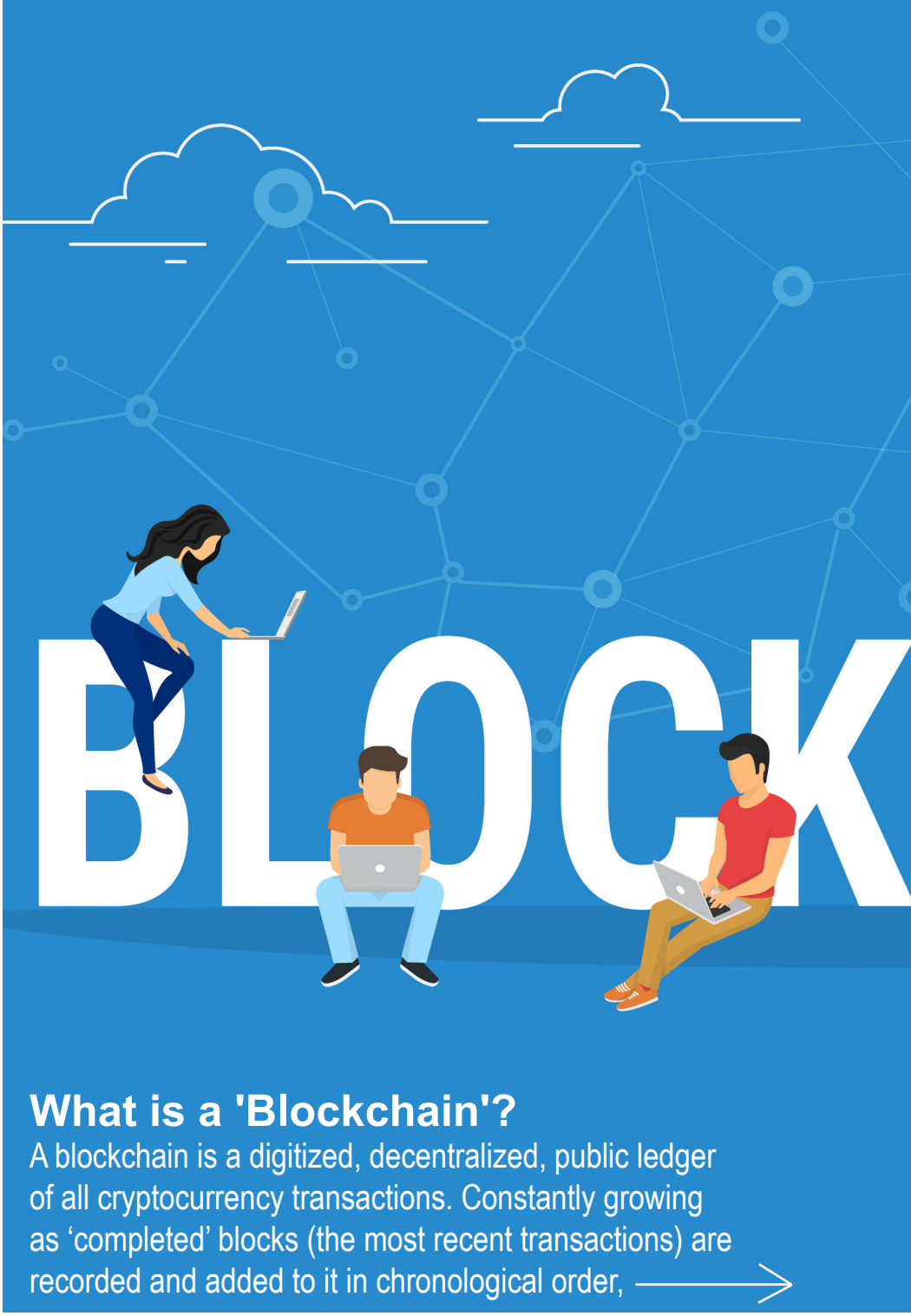
Bitcoin isn't dead, not yet at least. But its recent correction does signal that investors might be bringing a more rational attitude to cryptocurrencies.

> "It was a mania to a degree … We've seen this multiple times in history before," said CryptoCompare's Hayter. "It should've happened."

Bitcoin's drop from approximately $20,000 to somewhere in the range of $8,000 is "in line with historical pullbacks," he added.

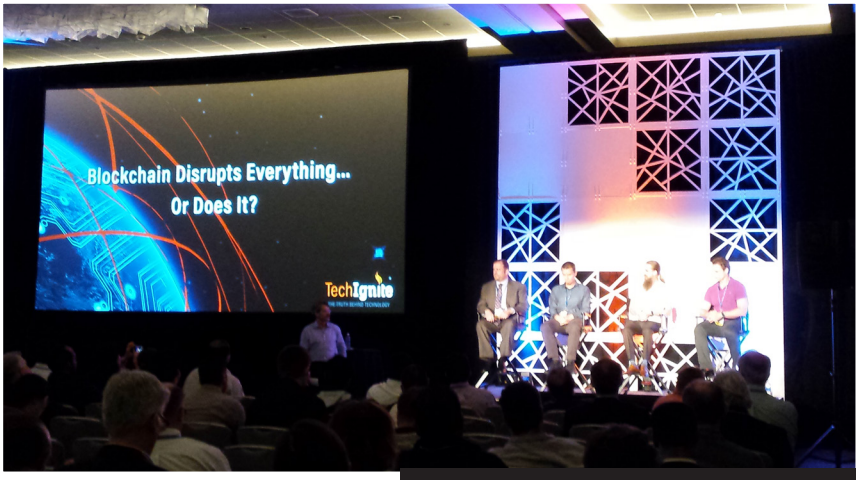
Hayter drew on several historical examples—notably the Dutch tulip mania in the mid-17th century in which some tulip bulbs, just before the bubble burst, sold for 10 times the average worker's annual earnings – to put the Bitcoin correction into perspective. Bitcoin prices were driven higher and higher by the "faith and attachment" of investors, and the speculation eventually had to result in a rapid decline.

Stocks, however, also were driven by speculation when rudimentary markets first appeared. Just as stocks evolved into regulated, more-or-less transparent entities, cryptocurrencies also will progress into less speculative products. When that will happen is anyone's guess, but cryptocurrency proponents are bullish that day is coming.



Alternative cryptocurrencies to Bitcoin also have proliferated in recent years. The most well-known of these, Ethereum has emerged as a realistic competitor to Bitcoin, although its value ($550 at the time of this writing) still trails far behind. Other cryptocurrencies are region-specific, such as Cambodia's proposed Entapay, which the government announced earlier this month it was pursuing (while, oddly enough, banning banks from implementing cryptocurrency transactions). Venezuela also recently launched Petro, its own national cryptocurrency.

The competition has already been felt by at least one Bitcoin "wallet" provider. Coinprism, based in Ireland, announced that Etherium had made the firm's offerings "obsolete" and that it was closing its exchange. Investors were given a deadline to find another wallet provider, and after that Coinprism will shutdown for good, according to



Consultant Josh Greenbaum moderates the "en:Blockchain Disrupts Everything...or Does It?" panel discussion at the first IEEE Computer Society TechIgnite conference. Panelists are (from left to right) Mitchell Parker, Bryan Smith, Tim Adams, and Nelson Patrecek.

it allows market participants to keep track of digital currency transactions without central recordkeeping. Each node (a computer connected to the network) gets a copy of the blockchain, which is downloaded automatically.

a company news release.

Belfort told "The Street" that the new digital currencies are simply a tool for "scamsters" to wring money out of unwitting investors disappointed at having missed the chance to cash in on Bitcoin. Belfort knows a thing or two about scamsters. His firm, Stratton Oakmont, made millions during a "pump and dump" scam that landed Belfort in prison. Bitcoin, he said, is a similar scam, and he pointed to the proliferation of new cryptocurrencies

"They create the illusion of prosperity – this is what I did at Stratton – you keep the old ones up high enough so people still believe in the overall system and launch the next one, and that's where they make their money."

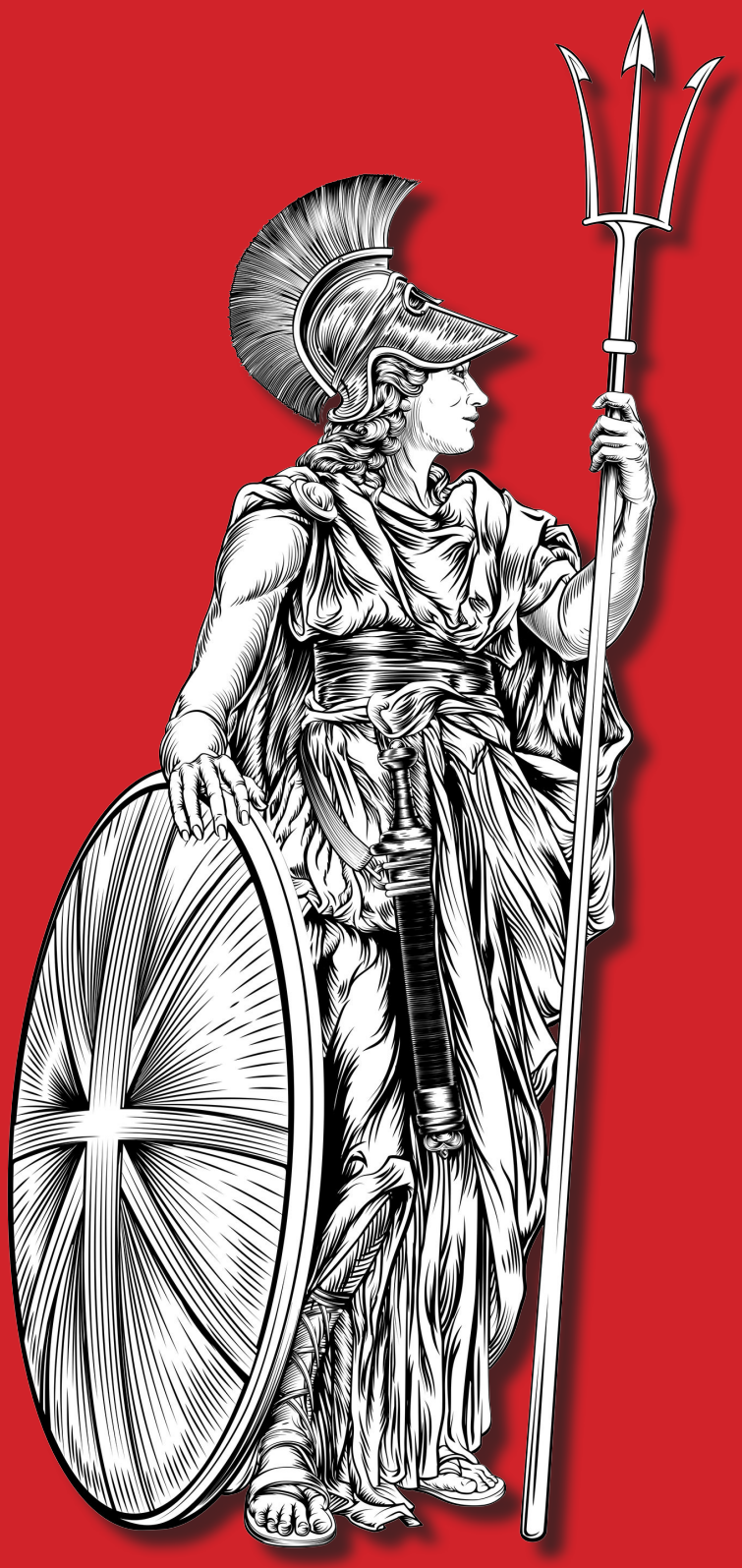
Unlike penny stocks or pyramid schemes, however, the people behind various cryptocurrencies are different, not necessarily working together, and often creating products for niche markets, like the regional cryptos noted above. While Belfort maintained that the money in Bitcoin "has already been made," the goal, according to crypto-boosters, is to build a fiat digital money that can cross national borders, not a speculative investment product.

For Hayter, Belfort, along with J.P. Morgan's Dimon, represent the "old guard" that failed to see the value in cryptocurrency and is now playing catch-up with the industry. While investors should proceed with caution before buying a cryptocurrency – which are unregulated by national governments – the digital money can produce solid returns and make for a good investment, provided decisions are made using logic, not emotion.

"Certainly don't listen to the people who are trying to grab headlines," Hayter said, when asked to comment on Belfort's interview with "The Street." "But [also] don't believe in something just because you want to."

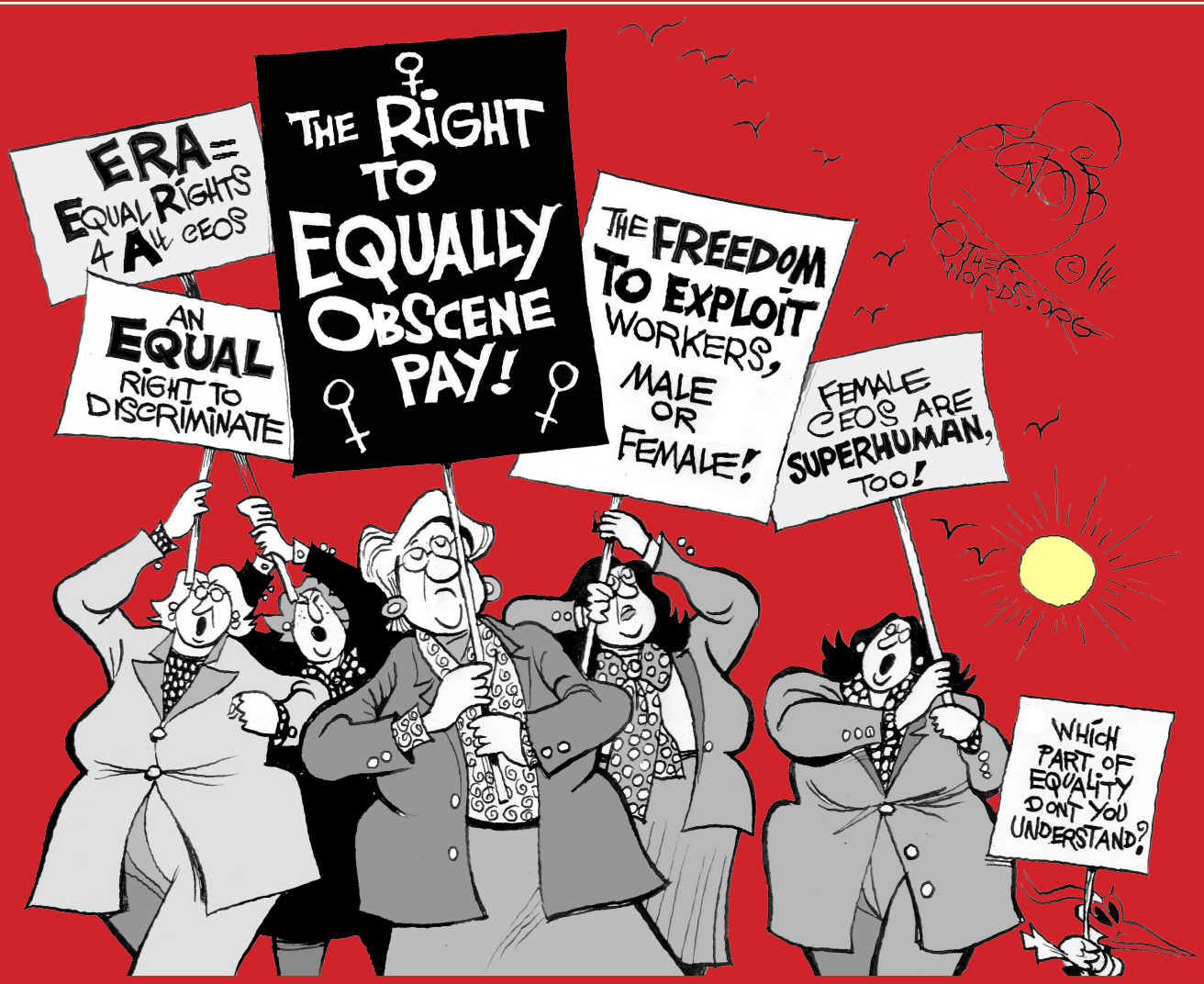
BY JANE MEGGITT

THE WARRIOR WOMAN OF ARJUNA CAPITAL



MOVING THE NEEDLE ON GENDER PAY DISPARITY

What industry has the greatest pay disparity between genders? If you guess the financial advice industry, you're a winner. The gender pay disparity (GPD) between male and female financial advisors is a whopping 60 percent. These are men and women working at the same job, with the same level of education and years of experience.



Natasha Lamb, a managing partner and co-founder of the Boston-based firm Arjuna Capital, says she was shocked to find out her own occupation has such disparity. Lamb has led the way in addressing GPD. This year alone, Arjuna Capital has filed nine GPD shareholder proposals at major financial institutions. So far, six of the nine – Citigroup, Bank of America, Wells Fargo, Bank of New York Mellon, Mastercard and JP Morgan – have agreed to address GPD and make salary adjustments. Arjuna Capital then withdrew its resolutions for these companies. The three financial firms that have not yet responded are AmEx, Progressive Insurance and Reinsurance Group.

Any shareholder may submit a shareholder resolution, as long as they have continuously held at least $2,000 in market value, or 1 percent, of the company's securities for at least one year by the date the proposal is submitted.

Gaining Momentum

That was a far cry from 2016, when Arjuna Capital filed similar shareholder proposals at six financial institutions, demanding wage disclosure reports, and all were rejected. The same thing occurred in 2017. In 2015, Arjuna Capital targeted Silicon Valley, and the proposals went nowhere. In 2016, there was a sea change, with seven out of the nine tech companies agreeing to address GPD.

The current score? Out of 25 companies with which Arjuna Capital has filed shareholder resolutions, eight in tech, six in finance and four in retail have passed. The momentum is definitely there. "We don't know if companies are really taking care of the issue unless there is transparency and disclosure," says Lamb. "2018 is the first year the banks have responded positively."

The resolutions include the supporting statement noting, "A report adequate for investors to assess company strategy and performance would include the percentage pay gap between male and female employees across race and ethnicity, including base, bonus and equity compensation, methodology used and quantitative reduction targets."

On February 23, JP Morgan, the last of the banks to agree to address GPD, released the following statement: "At JPMorgan Chase, we strongly believe that a diverse and inclusive environment is critical to our success. It is simply how we do business. As part of our commitment to fairness in our workplace, we look closely at how we compensate employees—conducting pay equity reviews at all levels of our firm." The shareholder resolution points out that 54 percent of JP Morgan's U.S. employees are female, but they hold just one-quarter of executive positions at the bank.

Focus on Sustainability

Lamb started working in financial services in Boston in 2005, after receiving her MBA from Presidio Graduate School – the first school to offer an MBA in sustainable management – and teaching sustainable investing there for five years. She co-founded Arjuna Capital in 2013. Arjuna is named for the warrior hero of the Bhagavad Gita, a revered leader and "champion of enlightened engagement in society." Lamb defines sustainability as viewing the environment seriously and holding social equity as an important component of economic prosperity. "We look to companies that manage these things well," she said, giving as examples Starbucks, Unilever, Nike, Dylon, Tokyo Electron and Bright Horizons.

In 2017, Bloomberg Businessweek named Lamb one of the "Bloomberg 50" most influential people defining global business. She is a trustee of The Food Project and Chairman of the Crane Institute of Sustainability.

Why the GPD in Financial Advisory Positions?

Lamb thinks the reason for the GPD in the financial advisory industry results from power dynamics and unconscious bias. "From research, we know women are actually less risk averse as financial advisors," she says. "There's a line of thinking that women aren't as aggressive negotiators. It's a bit of a problem, but I'm an aggressive negotiator. It becomes victim blaming – that kind of thinking is not helpful."

Lamb points out that society teaches women to be accommodating, and that sort of thinking must change. However, she says the onus is on companies to analyze and make necessary changes. "That will retain more women and then change the structural makeup, alleviating the power imbalance. It's a systemic issue," she says. When asked if she had ever experienced GPD during her career, Lamb answers affirmatively. "I was underpaid during my career, but I didn't know what my colleagues were paid. The information was difficult to get." New laws, especially on the state level, are changing that. To date, California, Massachusetts, New York, and Maryland have passed the most stringent equal pay legislation.

Wall Street Culture and Women

Lamb says that in the culture of Wall Street, women are not in positions of power. "They're given the less profitable and less desirable accounts," she says. "There's an imbalance on Wall Street for the positions women are holding." Lamb adds that although more than 50 percent of the employees on Wall Street are female, they tend to hold lower paying jobs. "We view GPD as a structural issue preventing women from moving up the corporate ladder. We're trying to address it with transparency and accountability," she says. The lack of upward mobility for women in the financial industry results in a talent drain, with women more likely to leave positions than in any other career track and head into industries like tech and healthcare. Lamb says the financial institutions agreeing to address GPD view it as competition issue, which is how investors view it as well. "We make the business case for change, because there's unmitigated risk and potential opportunities," she says.

It's not just U.S.-based companies guilty of GPD. Recently, Barclay's UK revealed a 49 percent GPD. On average, the GPD in British banks is 24 percent.

The Times They Are A'Changing

What changed in a year's time? Lambs says investors care more, and Wall Street is working with a different landscape

due to investor pressure. They must publish their median GPDs this spring. There's also more awareness of women's equity, and she thinks the #MeToo movement may have played a part. Lamb notes the considerations were akin to those proposals set before Silicon Valley companies. "The first year, they failed, with only an 8 percent vote. The second year, the vote was 51 percent," she says.

Still A Long Way to Go

Lamb says that GPD isn't expected to disappear for 40 years, and that's a sad reflection on society. "We're doing work to change the trajectory and accelerate the pace of change," she says. In 2016, eight years since the Great Recession, the GPD narrowed, but that was also the year the campaign gained momentum and changed public dialog regarding equal pay. "We look for leadership – one company takes a stand, the others follow," she says. Lamb notes there is no point in waiting for federal regulatory changes. For example, the Payment Fairness Act has been before Congress for years and not gone anywhere. "Changes are at the state level," according to Lamb. "The tipping point is reached when these kind of disclosures will become the norm and not the exception."

Future Sectors

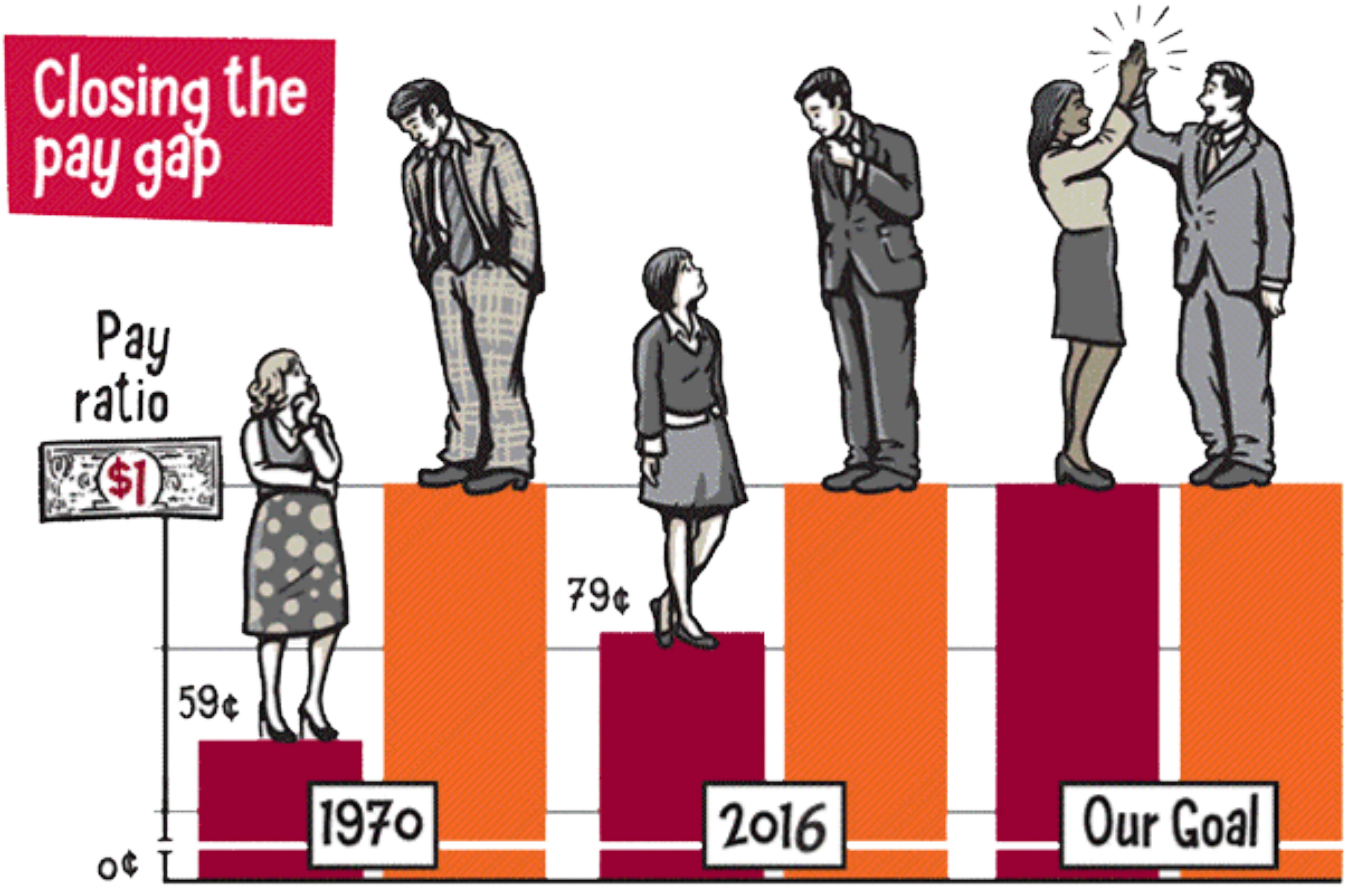
After targeting tech, retail and finance, what's next on Arjuna Capital's agenda? Lamb says that in 2019, shareholder resolutions will examine different sectors. There has been some quiet progress made in the consumer space, but next year the plan is to put a proposal in front of Walmart, which employs 1 percent of the country. As with other proposals, this one targets women across the board, and not just at the corporate level. "If companies can attract and retain more women and move them into executive positions, the rubber meets the road in performance. It's the whole pipeline from the bank teller to the CEO," says Lamb.

Eradicating Fake News

Last spring, Arjuna Capital had proposals regarding content governance – so-called "fake news" – hate speech, sexual harassment and violence, in front of Google and Facebook, and these have been extended to Twitter. "This year, we are partnering with the New York State Comptroller, so there's more pressure at work," says Lamb.

In January, in a speech at the World Economic Forum at Davos, British Prime Minister Theresa May urged shareholders to use their influence to ensure companies do not permit hate speech and extremism on their platforms, citing Arjuna Capital's work in pressuring companies via shareholder resolutions.

For more information on Arjuna Capital, visit: arjuna-capital.com



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BY FINANCIAL EXPERT STEVEN SELENGUT

How a Volatile Stock Market Turns Investors into Gamblers

Don't let this wave of stock-market volatility go to your head. The value of the companies in your portfolio doesn't change by a positive or negative 5% three times a day. Get the value right and the price will follow.

For example, my firm recently met with a prospective client, a physicist who has made millions of dollars by owning apartment buildings in the U.S. and Canada. He confessed that he never was able to make much money in stocks. As we talked to him we observed why. The Dow was having one of those 500-points up and 500-points down days. He was visibly happier when the Dow was going up and sadder as it was going down.

People who are otherwise successful as businessmen and as investors in private businesses or real estate change their behavior completely when they enter the stock market. I have a friend whose father has made hundreds of millions of dollars by building several companies from scratch in Mexico. An absolutely brilliant businessman — and the worst stock investor ever. He'd fret about every move in his stock portfolio.

As we talked to the physicist we used this analogy: What we (or any rational investor) do is not much different from buying an apartment building. First you look at the quality — how well the building is built, the location and demographic trends in the area, and so on. Then you start valuing this building. You formulate your best-case and worst-case scenarios for rents, occupancy, property taxes, and other important variables — price to square-foot, price-per-bedroom, price to worst-case rent. In the stock market these shortcuts are price to earnings, price to cash-flows, price to book-value.

If the price of the apartment building is at or below your worst-case scenario, you buy the building. If not, you move on. This is a rational, businesslike way of valuing an apartment building or any asset, including a publicly traded one.

Yet there are two important differences between an apartment building (or a private business) and a publicly traded company: The latter offers instant liquidity and low transaction costs. These differences should be huge advantages. To sell an apartment building may take months or years. Transaction costs are enormous: 3%-7% of the building's value to buy and to sell ("in" and "out" costs combined could be as high as 6%-14%).

The stock market should be a paradise for an apartment investor or businessman. Instead of having to deal with tenants and local authorities,

you buy stocks or even an apartment REIT (real estate investment trust) that owns hundreds of apartment buildings (arguably reducing the risk of owning a single building). The REIT is run by professional management (in this case the definition of professional is that they get paid). You can let them deal with tenants. Of course, you have to analyze the REIT's management to make sure that they are competent and properly incentivized, but this analysis is not much different from what a businessperson would do when hiring a manager of an apartment building.

So, you can do the same analysis you performed on an individual apartment building on this REIT, except — and here is where we enter into the domain of public equities and the rational person is replaced by an irrational one. Stocks are priced every second of the trading day. Thousands of times a day someone tells you, this company is worth this much. Actually, this is not what they tell you; this is what you hear. What they tell you is "I would buy or sell this company for this much at this moment." There are a million reasons why someone might want to buy or sell a stock on any given day. A lot of them have nothing to do with a company's value. So yes, there is a difference between value and price. You only know the difference if you've spent the time to value the company.

If your apartment building was a public stock its price would fluctuate daily, and most of the fluctuation would just be noise. The price would be moving based on local weather, employment, highway traffic, a mayoral race — the list is long. A lot of these factors will be transient and random in nature — in a word, noise. If a building similar to yours is put on the market at a ridiculously low price by a forced seller, you are not going to be upset that your building is now probably worth less, you'll see it as an opportunity to buy another building on the cheap. That is rational, businesslike behavior.

The liquidity of the stock market and its negligible transaction costs are great features, but probably do most people more harm than good. They can turn even most otherwise astute private investors into degenerate gamblers on a daily basis. The difference between a gambler and a degenerate gambler: the gambler plays with as much money as he can afford to lose; the degenerate gambler puts everything on the line.

When you gamble in the stock market with all of your life savings, you are a degenerate gambler. That's why it's important to focus on what businesses are worth, not how the market prices them.

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BY AMY ARMSTRONG

FIRMS SEE VALUE IN OUTSOURCING EMPLOYEE RETIREMENT PLANS

If it works for one or ten, it ought to work for 1,000, right?

That's the philosophy used by Troy Tisue and his team at TAG Resources, LLC, to identify the best employer-sponsored employee retirement benefit plans for the firm's clients.

He knows that for many employers, going it on their own is too costly. By joining a pool of employers all purchasing the same type of benefit plan, Tisue's clients have access to much more affordable retirement plans to offer to their employees.

"Just as chocolate and peanut butter go together, employers outsourcing employee retirement benefit plans through a firm such as ours that has – based on the technology we have built in house – the ability to provide solutions that are better, more accountable and more efficient is a win-win," Tisue said. "That is our endeavor – to provide affordable plans to employers that don't fit in traditional models."

Congressional movement in the past year regarding the approval of Open MEP (multiple employer plans) gives Tisue hope that his firm will be able to help even more employers that don't necessarily fit traditional employee-benefit models.

Previously, the federal Department of Labor (DOL), which oversees the regulations of how an employee-benefit plan is created, has required that employers in a collective pool have a common ownership or business purpose. However, recent proposals would remove this requirement as well as the "one bad apple" rule under which an entire pool of employers was held liable for non-compliant acts by just one member.

In Dec. 2017, Rep. Richard Neal, D-Massachusetts, introduced the Automatic Retirement Plan of 2017, deemed to provide cost-savings for employers and reduce some of that necessary paperwork by allowing the pool to file a common Form 5500, the annual return report of the employee benefit plan required by the DOL.

"This is a core proposal that isn't necessarily making all of the headlines, but it will signal major changes for our clients and prospective new clients," Tisue said. "It is all about how to get more people in to more plans."

That is a noble goal when one considers the current state of retirement planning in America.

According to the Economic Policy Institute, the bulk of American workers ages 50 to 55 have only $8,000 saved for retirement. Workers ages 56 to 61, have an average of $17,000 saved.

It's not enough.

For most workers, it comes nowhere near the industry adage of having saved five times your annual salary by age 50, and seven times your yearly earnings by age 60, as suggested by Mint.com.

The lack of savings concerns Tisue and is a big part of what motivates him to remain in an industry he landed in somewhat by accident, as he describes.

"It was just with great luck that I got my start in this industry immediately after college," he said. "I was lucky enough to recognize how much I liked it early on, too."

Tisue had no experience, but he really liked to talk to people. And he didn't want to sell life insurance.

So, when he found himself working the back office technical side as an enroller for a third party administrator, he immersed himself in building relationships with the clients and their employees.

"That is where I fell in love with the business," he said. "It is also where I realized how great the need is for employers to find plans they can afford to offer to their employees."

No truer words ever spoken especially in light of the fact that up to half of American workers do not have access to a retirement plan at their place of employment.

He views it as a crisis – especially when the 68 million Americans working the Gig Economy are unaccounted for. The flexibility of the "gig" is attractive, he admits, but it also provides zero access to traditional benefits such as a retirement savings plan.

This past February, Tisue testified before the U.S. Senate HELP subcommittee on Primary Health and Retirement Security that an open MEP arrangement "holds substantial promise and can be structured to support contingent workers."

In the roundtable-style hearing featuring four retirement industry leaders speaking directly with legislative leaders, Tisue suggested two ways he believes an open MEP could provide coverage for the growing number of gig workers.

Subcommittee Hearing

Exploring the 'Gig Economy' and the Future of Retirement Savings

February 6, 2018

The first treats each gig worker as a co-sponsor of the open MEP. The company paying the worker sets up an automatic contribution arrangement to pay a portion of the contracted compensation directly to the selected plan.

The second option involves creating an open MEP available to gig workers across a spectrum of industries.

Either way, as Tisue said, "this is not an easy one to solve. But the need could not be more obvious."

For now, Tisue continues to spread the word regarding the level of service his firm, which specializes in handling all the complicated ins and outs of running an employee benefit plan, can provide.

Document completion is one of the tasks TAG Resources handles with expert ease.

"The nastiest part of this industry is that no one wants to compile all of this data," Tisue said. "But that is where we excel. We take all the payroll data throughout the year and create documents that satisfy the requirements and take the burden off the employer."

TAG Resources, based in Knoxville, Tennessee, takes on a fiduciary role on behalf of the employer ensuring full accountability to government regulators.

As an example, Tisue said nothing will trigger an audit – and most likely, costly penalties – as quickly as a late contribution to the employees account on the part of the employer.

It is an illustration of what Tisue deems a "low-functioning" plan: An employer that simply is too overwhelmed with the other aspects of running the business to give the type of attention the details of an employee

Troy Tisue
President
TAG Resources, LLC
Knoxville, TN
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benefit plan requires.

"The Department of Labor is very active when it comes to assessing fees," Tisue explained. "As an employer, you don't want your business to be on their radar regarding any discrepancies with the kind of plan details that are best handled by a professional."

Tisue said it isn't uncommon for the DOL to send an employer a three-page letter outlining a series of pieces of information necessary to prove compliance with plan regulations with little notice of the date and exact time an agency representative will be on site to review and receive documentation.

It is a bit scary, he said. This is especially true when the legal ramifications set in, Tisue said.

"It doesn't take much insight to realize this issue is going to take months to settle and most likely going to require hiring an attorney," Tisue said. "It also is a costly, time-consuming drag on your employees."

This is where Tisue's company shines. 'We make this part easy.'

It isn't a brag; it is just the fact that a firm with the experience of TAG Resources, helps employers to avoid running afoul of trouble with government.

"When you offer a plan to employees, you are on the hook for all that it is – right or wrong. You've thrown yourself into a situation where you're now responsible for other peoples' money," Tisue said. "You have to ask yourself: Is that what you got in business to do? Do you have any experience or expertise there? Probably not."

It's just one less worry for an employer, Tisue said, adding that it is also one less distraction from what an employer does best: run his or her business.

"For the small business owner – the type of folks we specialize in working with – who is focused on running the business, anything that detracts from that is not a great thing affecting their bottom line," Tisue said. "We really are the company that serves as the home for misfit toys – all the broken plans come to us because we have developed the plan that accommodates their needs."

For more information on TAG Resources, LLC, visit: tagresources.com

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Financial Planning is Not a DIY Endeavor

Clients seeking financial advice may have similarities, but no two are identical.

Many financial advisory firms categorize their clients into a few basic types. That's not the case with Pennsylvania-based Great Scott Financial Services. President Scott Seymour says his firm personalizes investment choices just as they do relationships. Most of their investment work is done in-house, not outsourced to third-party managers. Because of this, the company can work around a client's 401k plan, appreciated stocks, and other assets. Seymour points out using third-party management adds another layer of fees for clients and lacks the customization most clients feel is important.

Dad as Mentor

Seymour started working as a financial advisor with his father, who started the practice as a second career in the late 1980s. "I got all the licenses and certifications, became familiar with my dad's clients and brought on clients of my own," he says. His father retired in 2010, and Seymour says because of his dad's mentoring, he was able to enter a business with high barriers for advisors.

A High Touch Practice

Seymour calls his practice "high touch." There's no voicemail during business hours, so clients always speak with a real person to address their issues. "I'm a firm believer in proactive personal content with clients several times a year. We take a comprehensive, one-on-one approach to planning, not just insurance or investments," he says. "We have no allegiance to one carrier over another, so we're able to offer unbiased solutions."

The Risk of Robos

While robo-investing appeals to the younger and tech-oriented, Seymour sees a big risk with robos and their "101" approach to asset allocation – giving a certain percentage of stocks and bonds to a portfolio. "In the last 20 years, that worked well," he says, but now there's an inflection point with interest rates and inflation, so that people putting all their bond investments in, say, an index fund may lose money. "If the software gives you the impression that a portion of your investments is secure, you'll quickly discover that's not true."

While Seymour calls computers and software "fabulous tools," he says that there's such an emotional component with money that people want their financial planning done by a human being. "Too many personal things come up in respect to financial planning," he explains. "The solution that's the best fit for a client is often a challenge between the emotional component and the spreadsheet."

No DIY for Financial Advice

Asked about changes he'd like to see in the industry, Seymour said he'd love to see a shift in media coverage to highlight the importance of a relationship with a professional financial advisor. "There's such a surge in DIY [do it yourself] stuff, everything from tax returns to preparing your own legal documents. I think it's a slippery slope," he says. While some people possess the aptitude, interest, and time to do some of these things themselves, most don't. "That's where the importance of a relationship with a trusted financial advisor comes in. There's an absence of that in the media – they treat it as watching a YouTube video on fixing the sink. That's scary."

To learn more about Great Scott Financial Services, visit: greatscottfinancial.com

BY AMY ARMSTRONG

THE DEPTH OF
TRUE INVESTMENT DIVERSIFICATION

In the financial services world, diversification is generally defined as an investment strategy used to reduce risk and maximize return by allocating money among different financial categories, instruments, and industry sectors.

It is the buzzword within the industry – everybody talks about it; seems most advisors advise clients to seek it – yet, its true meaning isn't always found in many of today's portfolios.

There is diversification, and then there is diversification to the third power such as what Jay Branson, Principal of Branson, Fowlkes & Company, Inc., based in Houston, Texas, uses to support his goal of growing and protecting the wealth accumulation of his more than 150 clients.

"We are very proud of the philosophy we have used for many years which is based on the investment approach that institutional investors use," Branson explained. "We had our description of the process trademarked: It is D^3 The Power of Diversification™. It is not commonly used in the industry for individual investors."

In a recent interview with Advisors Magazine, Branson outlined the three-step diversification process.

The first level of diversification is by asset class. At the second level of diversification, Branson and his team identify investment styles within the asset class. The third level of diversification occurs by selecting fund managers within the investment style that match performance parameters Branson seeks.

That third layer – performance by the fund manager – matters a great deal to Branson as he makes selections.

He hears all the industry discussion regarding fees and the need for transparency – something he wholeheartedly supports – yet, what he'd like to see change within the financial services industry today is what he considers a lack of focus on performance.

"I think overall there is too much emphasis on fees

and not enough emphasis placed on net returns. I don't think the fees determine exactly what the results are going to be within an account, and right now I don't see the industry providing investors with enough information regarding the performance they should expect or can achieve for the fees," Branson said.

Another industry trend with which Branson takes issue is the Department of Labor's (DOL) recent move to create a fiduciary standard for all advisors which requires them to act in a client's best interest for certain retirement accounts. While he recognizes the new DOL regulations are intended to protect investors, he doesn't see its current implementation of the standard as achieving that goal.

"It is very difficult for consumers of financial services to differentiate between one advisor and another," Branson said. "On the one hand, you can have an advisor who is a CFP and trained to advise in a variety of areas, and you can have somebody else that just has a securities license or an insurance license. You put both of them in a three-piece suit and give them the same haircut and they look trustworthy. To hear them talk, they sound the same. It is very hard for the customer to differentiate because everybody sounds good."

For Branson, Fowlkes & Company, the new fiduciary ruling represents perhaps only some additional paperwork. Since its 1987 founding, the firm has operated independently embracing the fiduciary role as a federal SEC registered investment advisor.

Branson's approach acting as a fiduciary is to define his role and the client's role at the start of the advisor-client relationship.

"The financial services industry is very intimidating with all of its jargon and acronyms," Branson said. "I work to set the client's mind at ease right away by making a distinction as to what they are responsible for knowing, and what I am responsible for knowing."

The client's job is to tell Branson what their goals and objectives are. His job is to identify the best structure in which those goals and objectives can be achieved.

That often includes a bit of behavior management.

"Behavioral economics is an amazing science as it relates to investing," Branson said, citing many studies documenting the mistakes investors make when emotions control decision-making.

People buy in at the peak of markets because they fall into a wave of euphoria, and then when the markets go down, they let fear drive their choices, Branson said.

"Guiding people through the difficult times in the market is really where we make them money," he said.

It is something a robo-advisor cannot do, referring to online investment trends.

In fact, Branson said, chances are high that a robo-advisor won't even be available for online consultation when markets are volatile.

He cites the erratic market movement just this past February and several subsequent reports that the websites of online robo-advisors crashed leaving clients with nowhere to turn for advice, or even access to their accounts to make changes.

"It is just one reason I don't see a robo-advisor as working in the best interest of the investor," Branson said.

Instead, it is building relationships over time – just as he has done for the past 30 years – where Branson sees the greatest potential for client success.

"We still have nearly all of the clients we started with. Being able to retain them, to serve them and a do a good job for them and that they have continued to show their faith in us by staying with us is something we are very proud of," he said.

For more information on Branson, Fowlkes & Company, Inc., online at bransonfowlkes.com

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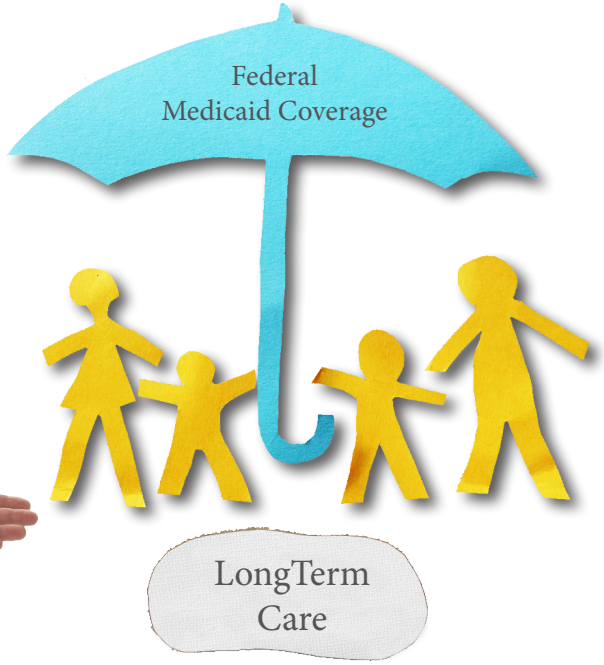
BY AMY ARMSTRONG

CLOSING THE GAP TO PROTECT THE ASSETS



Four out of ten Americans age 40 and older indicate they will depend on the federal Medicaid program to meet their long-term care needs.

That stat is reported by the Associated Press Public Affairs Research Center which began tracking data regarding popular opinion of how to care for aging Americans in 2013 when its directors recognized the impact of the oncoming silver tsunami – retiring baby boomers.

In its most recent report, the Associated Press labeled dependence on Medicaid alone as a "mistake." It is a perspective shared by many financial advisors including Aaron Steele, the Owner of Steele Capital Management, ., based in Olympia WA. .

Worse yet, Steele said, many people mistakenly believe that their health insurance provides coverage for long-term care.

With most policies, the answer is a firm "no" when it comes to health insurance paying for any form of long-term care, whether that be in an extended care facility, a nursing home, or in-home care which is becoming increasingly popular.

"Most clients are surprised by this," said Steele. "The need for long-term care may very well be caused by a medical condition, but long-term care means assistance, not curing a medical ailment."

Of course, a major portion of today's long-term care demand is attributed to an increase in the need of cognitive care – a trend many demographic forecasters deem as a significant societal challenge poised to grow in to a full-scale epidemic within the next two decades since an estimated 20 percent of Americans will be age 65 or older by 2030.

So, what options can one use in younger years to prepare for the financial challenges associated with long-term care?

If one invests in a long-term care policy in their 30s or even early 40s – the monthly premium isn't nearly as cost-prohibitive as compared to signing a policy

contract closer to retirement age.

Steele recommends folks view the purchase of long-term care insurance with the same lens applied to securing car or home owner's insurance.

"It is a necessary evil of planning for the future," he said.

That includes determining the best way to maximize federal government benefits such as Medicaid when determining how to pay for long-term care.

Unfortunately, the time to plan is not right before long-term care is needed, Steele explains. But also unfortunately, that is when far too many people take that longer look at what the government offers.

This doesn't work because government programs are asset and income-based in terms of qualification. And determination of eligibility is based on a "five-year look-back" period in which all of the applicants assets – income, home equity of more than $500,000 in most states and other financial assets – are used in the calculation of whether the applicant can receive assistance paying for long-term care.

If the participant disposed of financial assets during that "five-year look-back" time period, the participant is penalized.

"It takes looking ahead, creating a plan, discussing strategies, and talking with trusted family members regarding protecting assets to be able to work with the current government LTC programs," Steele said.

He knows facing the topic of long-term care needs is just as unpopular as discussing the death of a spouse, but today's financial services market offers a variety of tools that can make dealing with the topic more palatable.

Life insurance policies with long-term care riders that maintain a death benefit should the insured not need care are a go-to resource. This type of policy meets the needs of covering the costly and intense requirements of long-term care while still leaving the potential of a benefit.

Long-term care can be complicated, but Steele's goal is to simplify the process of determining the depth of each client's individual and specific need.

"Educating clients is the key to getting them in a position in which their risk is mitigated," Steele said. "Closing the gaps – whether that is between what Medicare or Social Security will pay – to protect their savings from the drain that long-term care can be is the mission that drives this company. If there is a gap there we want to find the resources necessary to mitigate that risk."

To learn more about Steele Capital Management., visit: steelecap.net

STEELE
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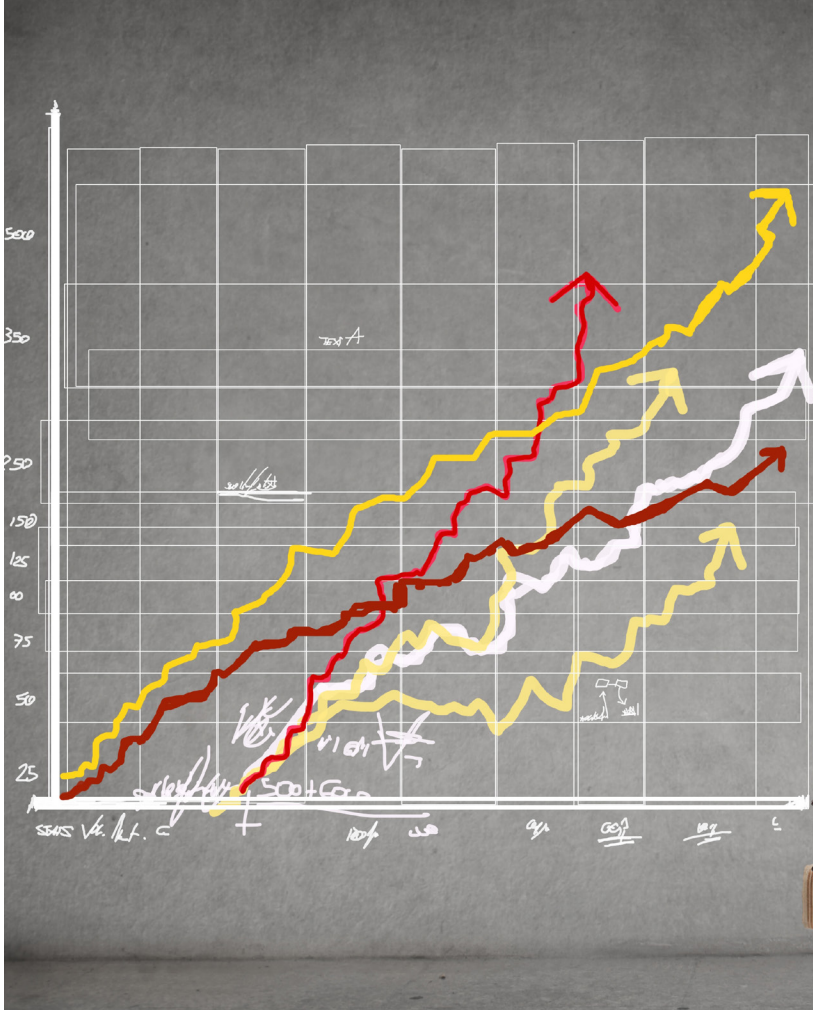
BY AMY ARMSTRONG



GUIDING
FINANCIAL FUTURES WITH SIMPLICITY

KEEP IT SIMPLE.

That's how Lee Pierce, CEO of Pierce Financial based in Memphis, Tennessee, approaches his work helping clients determine what strategies may be the most efficient in achieving their financial goals.

Lee Pierce, CPA, CMA, AIF®, founder of Pierce Financial, believes in handling each person's situation as if it were his own.

"We live in a world of ever-increasing complexity in all facets of our lives, but most definitely including financial planning. Complexity leads to confusion, which often leads to intimidation, which in turn, leads to complacency because when one is confused the path of least resistance is attractive," said Pierce. "But when it comes to retirement and financial planning, not making a decision is a recipe for disaster. That is why our goal is to keep it simple."

Simple doesn't mean sparing time to educate a client. In fact, simplicity often affords the greatest opportunity for advisors to improve a client's financial literacy, and Pierce believes that this is important to help the client achieve success.

"It is very common for people to avoid dealing with their finances because of a lack of education. Through the use of clear and concise communication, we educate our clients regarding how their finances and investing relate to their unique situation," said Pierce.

His passion to help others achieve successful retirement outcomes is what led Pierce to become a financial advisor after spending decades in public accounting and other areas of the financial services industry.

Committed to building client relationships, Pierce works to convey the reality that any investment does come with risk, but that he strives to minimize those risks whenever possible. This is something he knows that working one-one-one with a client can achieve, and that do-it-yourself online financial tools cannot.

"Robo advisors and many of the different online tools out there each come with their own risks that are not related to traditional market risks in terms of their effectiveness and reliability," said Pierce. "There is nothing wrong with a robo advisor as a general guideline, but it should be used just as that: a general guideline."

Today more than ever, so much is on the line when planning a financial future in light of the increased longevity Americans now experience.

As baby boomers retire, they do so facing the possibility that living longer presents opportunities and costs that generations before rarely faced. Retirement for today's generations isn't a short-lived affair as it has become commonplace for one's golden years to last two or three decades, and for some even longer. That's a lot of time to live without collecting a paycheck.

"With the tremendous health care we enjoy in this country also comes a tremendous cost that requires careful planning and asset accumulation," Pierce said, adding that what makes it even more complicated is the unpredictability of retirement.

"One thing we have in common is that none of us know how long we are going to live," Pierce said.

People can make educated guesses based on family history and current health, but no one knows if their retirement will stretch in to their 80s or 90s, or even past 100 years of age. That is a lot of time to account for in terms of ensuring a steady income stream.

"Even though the time frame is unknown, one still has to realize how important it is to understand just how long that time frame could be," Pierce said.

The same thought process applies to the acquisition of long-term care insurance.

Often times, long-term care insurance is viewed as a gamble – you don't know for sure if you are going to need it, but if one does eventually need long-term care, it can be financially draining without insurance.

"If you have assets to protect, I recommend considering the purchase of long-term care insurance being viewed as any other coverage to protect yourself from a potential financial burden," Pierce said. "You have to view it as a potential liability. Are you going to insure against it, or hope you are in the position to write a check to cover it?"

Being able to help clients navigate through these types of financial questions is the motivation for Pierce's work. Whether he is summarizing a prospectus of a potential investment, explaining the fees a client will pay for opting to invest in a specific plan, or outlining the monthly requirements of a retirement savings plan, Pierce's goal as a fiduciary is putting his client's needs before his own to ensure they understand the path he is paving for their financial success.

"A referral is the highest compliment one can receive in this business," Pierce said. "Knowing that another individual thought highly enough of me and my reputation to put their name, reputation, and integrity out there on my firm's behalf is the biggest success for me."

Learn more about Pierce Financial online at piercefinancial.org, or contact Lee at lee@piercefinnacial.org

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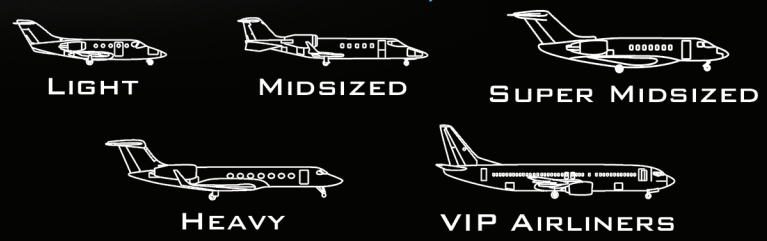

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CENTENARIANS:
the new face of retirement planning

There's a reason that greeting card companies have increased production of "Happy 100th" birthday cards over the last decade.

More people are reaching the status of centenarian – a once elusive longevity milestone. So, what does this mean for financial advisors? They must now plan to secure a client's retirement income for decades longer than had been considered in years past.

"Longevity certainly is one of the major risks we have to talk about when addressing the issue of a successful retirement," said Lefebvre Cleary, CFP®, president of Lefebvre Financial Services based in Stamford, Connecticut. "It just is a reality of life today that when we think about retirement, we really do need to plan for 30 years."

In 1980, there were 32,194 Americans age 100 or older. Fast forward to 2014 and that number has more than doubled to 72,197, according to the Centers for Disease Control and Prevention, the country's leading public health organization.

While living longer can mean more time with grandchildren and getting to experience more adventures, it also means increased expenses. Aside from just the day-to-day living, senior citizens experience exponentially greater health care costs at a time when their earning potential is decreasing.

The National Institutes of Health indicates that on average, female senior citizens age 65 and older spend $361,200 on health care in retirement until death. The number for males in the same age bracket is $268,700 – a lower number attributed to the fact that women outlive men. Yet, when compared to the health care costs for people in their teen years and early 20s, the cost for senior citizens is four times greater.

These statistics provide a challenge to financial advisors, and Cleary approaches it head on relying on various Monte Carlo simulators and the software program, eMoney – a fully integrated wealth management program for advisors – that demonstrates the impacts various market conditions and client investment choices are predicted to have on the client's retirement planning.

"We can show them different scenarios and help them understand we can help them meet their goals, and I think they really appreciate being able to see that," Cleary said. "It makes it more real for them."

Another reality she discusses with her clients is long-term care.

"It is such a heartbreaker when we have to tell a client, 'well, your retirement looks perfect unless you have a long-term care need at age 80,'" Cleary said. "It is a difficult but necessary conversation."

It is where one of her value propositions as an advisor enters the relationship: Cleary is a promoter of client education. She starts the long-term care dialogue long before most people want to admit they will age. It's because the time to plan for long-term care is long before the need for it becomes apparent, she said.

"My ideal client is the person who not only wants help but knows they need help to plan, and who recognizes aging has a cost attached to it," Cleary said. "They make those 100th birthday cards for a reason. Many more people are living to 100 years old and doing so without going broke takes planning."

For more information on Lefebvre Financial Services, visit lefebvrefinancialservices.com

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BUILD IT AND THEY WILL COME

G. Ward Keever Builds the Firm of His Dreams

"I bought my first stock when I was seven. My father set me up with a Janney Montgomery Scott brokerage account and we bought American Cyanamid, a chemical company – and the love affair was on," said G. Ward Keever IV, president and CEO of Covenant Wealth Strategies, LLC.

Keever's interest in all things financial emerged early in his youth, and so did his entrepreneurial spirit. When the woman who lived next door to Keever's family home in Ocean City, New Jersey, lost her husband, Keever started mowing her lawn for her. He grew that job into a thriving landscape business that he ran throughout college. In fact, after graduating Cum Laude from the University of Delaware with a degree in finance and marketing, he took a pay cut from his landscaping income when he started his first "real job," as his father called it.

Trading in his grass-stained t-shirt and jeans for a suit and tie, Keever started his professional career at a local financial planning company. Later, he came to realize that it was a general agency for an insurance company.

Within four years, Keever earned professional designations in the financial industry including that of Chartered Life Underwriter (CLU) and Chartered Financial Consultant (ChFC). Since then, he's added to the list with other prestigious industry credentials including Accredited Investment Fiduciary (AIF).

After 10 years with the insurance company, Keever knew that he wasn't where he was meant to be professionally, but he wasn't sure of where to go next.

"I set out to find what I wanted, and I interviewed with a large number of other firms and kept finding sales contests and proprietary products. What I wanted to do was be an advocate for my clients, to work in my clients' best interests, and to help them pursue their goals and objectives," he said.

"You can have anything in life you want as long as you help enough other people get what they want first," he continued, referencing famed motivational speaker and sales trainer Zig Zigler's philosophy for success. "That's what I wanted to do, and quite frankly, I couldn't find it, so I set out to build it."

Covenant Wealth Strategies launched in 1999. Today, the ten-person firm plans to double in staff over the next decade.

"I believe there's a need for what we do, how we do it, and why we do it," said Keever.

Firm's Strategies Benefit Clients and Society

Keever believes that Americans today are less educated about financial matters more now than ever before. So, this year Covenant Wealth Strategies is joining the Junior Achievement organization in their large-scale effort to promote financial literacy in grammar, middle, and high schools across the country – the goal is to better prepare youth to make financial decisions both now and in the future.

Often, when hiring a financial planner to help navigate their retirement planning, "people don't know what they don't know" suggests Keever. Many planners simply operate as an asset manager by placing the client's money in mutual funds or with a third party, and then charge the client a percentage to review their portfolio annually or semiannually.

"Clients need way more than that, and this is where Covenant Wealth Strategies differentiates itself. We provide a proactive concierge service," he said. "We tell our clients that things are going to happen in life – hard things like the loss of a job, or the death of a family member – and great things will happen like weddings, babies, promotions, and retirement. We want to be one of the first five phone calls a client makes – whether it's a good thing or a bad thing – because there's likely a financial implication to whatever just happened."

Many financial advisory firms set criteria for the clients they take on, but Covenant Wealth Strategies keeps it simple. While there are no minimum fees, they do charge a one-time financial planning fee of $2,500.

"We actually manage our clients' money in-house. So now, you're paying us a fee to manage the money, and we're not simply putting you into a portfolio of mutual funds. We're building portfolios that have individual stocks, ETF's, and where we do use mutual funds we use institutional share pricing which gives our clients access to mutual funds that have expense ratios that are commonly a third to a half of what retail funds charge for the same share class," Keever said.

Keever services $125 million advisory assets of the over $200 million total brokerage and advisory assets through LPL Financial using three broad investment strategies.

The first is a mutual fund model using conventional wisdom and asset allocation with active share pricing. The second model is for clients who prefer low-expense passive management which Keever describes as asset allocation modern portfolio theory with ETF's. The third model is their most popular.

"The majority of money we manage, is in a portfolio of individual stocks with some ETF's and a few mutual funds for thematic exposure and diversification. We call this model our Protect and Advance Series," said Keever.

Rounding out Covenant Wealth Strategies' comprehensive approach includes conferring with their clients' tax advisors, estate planning attorneys, and other related professionals.

"This industry is full of so many conflicts of interest, it's a shame and it's sad. Much of the bad reputation of the industry is well deserved because some people view clients as a mechanism to make money rather than as people to serve. We genuinely view our clients as people to serve. They make a commitment to us, we make a commitment to them," said Keever.

One of the ways Covenant Wealth serves is through proprietary innovative programs like the one set to launch this year to help clients save on the cost of college, not just save for the cost of college. They'll be working with their clients' children and grandchildren to help identify grants and scholarships.

"Every dollar that we help our clients get in grants and scholarships is less money that our clients will pull from our management, and it is more money they will entrust to us to manage for them," said Keever.

Covenant Wealth Strategies operates from the premise that the success of one's financial independence late in life is not based on the size of their nest egg, but on the amount of guaranteed income that they have, including Social Security, pensions and annuities.

"We talk to our clients about this and help them with cash flow planning and projections for retirement, explained Keever, adding that the cost of long-term care is also a challenge that the firm discusses with clients."*

Sentiment Outshine Impressive Stats

Since Covenant Wealth Management launched 18 years ago in Wilmington, Delaware, they boast a client retention rate of 98 percent or better each year. **

"I think that there is only one industry that surpasses that and that's the graveyard industry, they keep 100 percent of their clients," quipped Keever, who's proud of this achievement within such a volatile industry.

He's also proud of the multigenerational relationships his firm enjoys with clients and their families. Keever and his wife Debbie attended the wedding reception of a client's daughter. The bride came over to their table and said, "Hi Mr. Keever, we've never met before, but my parents talk about you all the time, thank you for attending our beautiful wedding."

For more information on Covenant Wealth Strategies, LLC visit: covenantwealthstrategies.com

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**Client retention may not be representative of any future experience of our clients, nor considered a recommendation of the advisor's services or abilities or indicate a favorable client experience. Individual results will vary

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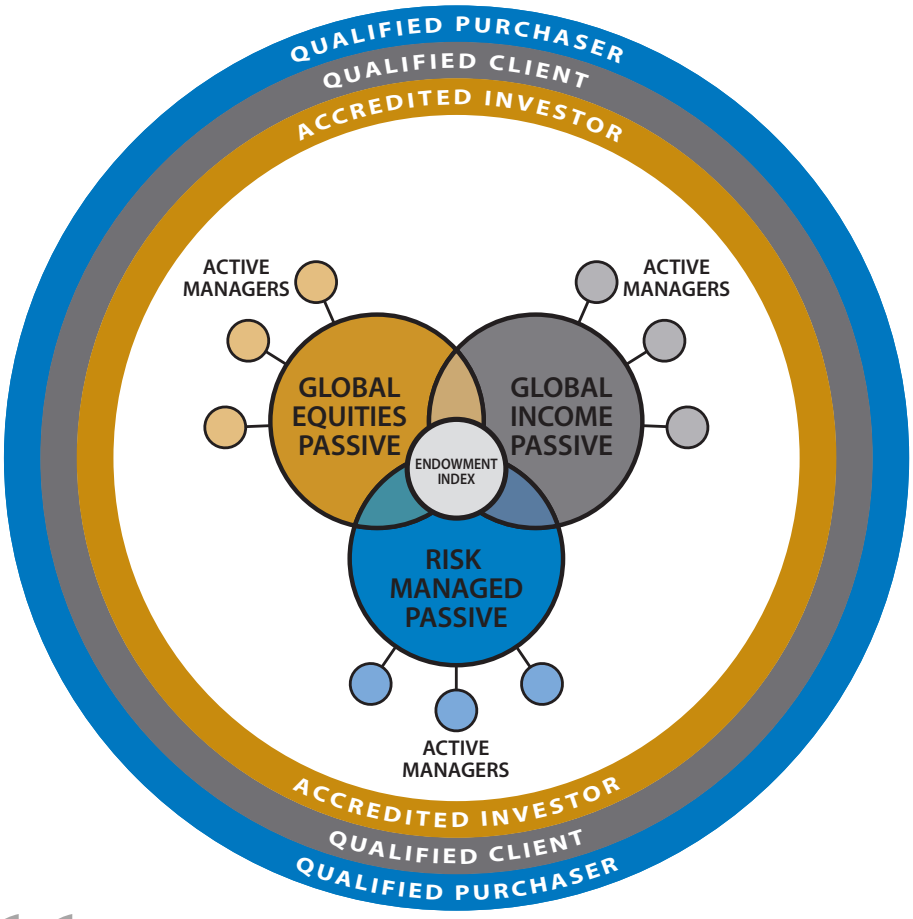
THREE DIMENSIONAL INVESTING

Many investors and wealth managers remain stuck in a two-dimensional asset allocation model comprised of stocks and bonds. But the real world isn't 2D and investors need to "embrace complexity" to thrive today, said CIO of Endowment Wealth Management, Inc., Prateek Mehrotra, MBA, CFA, CAIA.



"What really needs to change is the fact that the world has become more complicated. Investment portfolios should embrace the complexity," Mehrotra told Advisors Magazine during a recent interview. "The traditional world of 2D asset allocation of stocks and bonds needs to change, it really needs to evolve towards the Endowment Model."

Endowment Wealth Management® based in Appleton, Wisconsin, with offices in Chicago and Milwaukee, develops investor portfolios based on the Endowment Investment Philosophy®, which is similar to how universities manage their funds. The Endowment Model is "three-dimensional" in that it incorporates equities, bonds, and alternative investments such as private equity, real assets, and hedge funds, Mehrotra said.

"If you're just investing in public equities, it's a shrinking universe of companies that you can allocate to," he said. "There are more than 200,000 private businesses and there are about 4,000 publicly traded companies. So, if you're not offering your clients the ability to invest in private businesses then you're missing a good chunk of the investable universe."

The Endowment Investment Philosophy is guided by the Endowment Index® to create objective, rules-based construction methodology based upon the portfolio allocations of over 800 educational institutions managing over $500 billion in total assets. The index includes 19 sub-indexes that are investable, and contained within those sub-indexes are over 30,000 underlying global securities.

Endowment Wealth Management® does not require a minimum investment from prospective clients. The firm offers solutions for investors anywhere on the wealth spectrum, from do-it-yourself solutions via www.myroboadviser.com for millennial investors to complex allocations utilizing illiquid assets for clients possessing more than $1 million in investable funds.

The professional team at Endowment Wealth Management® will educate clients how the Endowment Model works and what their money can accomplish if properly allocated. They are a Registered Investment Advisory (RIA) firm and a fiduciary, meaning clients' interests come first.

Investors need to break away from "simplistic, rudimentary 2-D portfolios" of stocks and bonds and instead move toward the more complex 3-D Endowment Model because it can offer both higher absolute and risk-adjusted returns over a sustained period, Mehrotra said.

"Equities where they are today, where they're priced today, will not likely deliver that 8-10 percent type of return over the next ten years," he said. "Bonds where they're placed today will not likely deliver that 6 percent return, so to get to that 7 or 7.5 percent return, one really needs to look at the endowment approach."

For more information on Endowment Wealth Management, Inc., visit: Endowmentwm.com

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BY JANE MEGGITT

THE VALUE OF EMOTIONAL INTELLIGENCE IN FINANCIAL PLANNING

Analyzer vs. Motivator Clients Have Different Styles

People work hard all their lives accumulating assets, but they really only understand investments at retirement, when they must start paying for their lifestyle. That's how Walter Pardo, CEO of Wealth Financial Partners, LLC, based in Liberty Corner, New Jersey, sees it. While most financial advisors are good at the accumulation aspect, retirees need someone to walk them through distributions, and Pardo finds many advisors deficient in that regard. If a financial advisor doesn't understand the tax implications of distributions, "They're really not giving a fiduciary experience," he says.

Pardo earned his Series 7 and started out in 1991, working as a fixed-income specialist for a Wall Street bond firm at the Long Island, New York office. Eight years later, his father died unexpectedly, and Pardo discovered his dad's accountant didn't know if there was a will or any life insurance – he just did the taxes.

"I realized that my family, and my clients, needed a central person taking care of insurance, investments, and accounting," says Pardo. "I found out later that this is called wealth planning."

In 2010, after obtaining additional training on tax, insurance, and estate issues, Pardo started his company based on the principle of proactivity. Wealth Financial Partners and WFP Tax Partners are independent advisors who help families and businesses manage life transitions and protect against blind sides. Pardo doesn't want his clients to be ill prepared, as his family was.

Tax Mitigation and Cash Flow

At retirement, most people are unfamiliar with tax mitigation or cash flow. While working, taxes were automatically withheld, and cash flow consisted of what they netted in their paychecks. In retirement, it's reversed. People in retirement receive income before taxes, and have to be made aware they're responsible for what's owed to the IRS and possibly to their state. Pardo educates clients

through this transition, and manages the order of distribution for minimum taxation.

"I have found that clients with $7 million or more in assets tend to be business owners," says Pardo. "They already understand tax mitigation and cash flow. In fact, these people never plan to retire. With their businesses on auto-pilot, they want to work with an advisor who understands what they're trying to accomplish. They want to re-wire their schedules to spend time with their families and give back to their community."

A Crucial Factor – Emotional Intelligence

Financial advisors must learn to ask better questions and become better listeners, he says. Pardo places great value on emotional intelligence. He and his team figure out their client's style so they can efficiently communicate.

"If I know how the client is wired, I want to adjust my approach when interacting," he says. For instance, an "analyzer" type of client, who requires more information and details, needs a different approach than the "motivator" type, who just wants to know the bottom line.

A Good Fit

The first time Pardo meets with someone, he's looking for a good fit on both sides. His basic question: "If we're sitting here three years from today, what has to have happened during those three years for you to be happy?" If the client says nothing, there is no relationship and he cuts the meeting right there. "If they give me an answer, those are the things I have to pay attention to," he says. "They are sharing their fears. Knowing what motivates them creates opportunity." He sees his role as managing the transition between the working years and retirement and managing goals. "The job is to identify the gap and say I can help you fill the gap if you want to hire me," he says.

Year Over Year Goal

This year, Pardo's goal includes continuing to work with affluent clients who "talk the same lingo as me. They understand taxes and cash flow," he says. Pardo feels that now is the best time to be a financial advisor. "There's fewer pensions out there. How many people have 401k with a pension on top? Not many. Now people are re-wiring and wondering how it will work out income-wise. I do a lot of that," he says.

For more information on Wealth Financial Partners, visit: wealthfinancialpartners.com

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BY JANE MEGGITT

THE SIMPLER YOU MAKE THINGS,

THE EASIER IT IS FOR THEM TO MAKE DECISIONS

If there's a gene for providing financial advice, Ann Baker Ronn inherited it. In 1969, her father and his business partner created the first financial planning firm in Houston. She is CEO of Income Protection Solutions Inc., and focuses on disability, an often-overlooked area of financial planning.

The genesis of her emphasis on disability income insurance was prompted by a client who had lots of life insurance and a long-term care policy, but no disability coverage. He developed brain cancer and couldn't work, and his wife became his caregiver. Their income turned to zero overnight. "It's a huge hole in people's planning," according to Ronn.

Educating Clients

Ronn spends a lot of time educating clients and bemoans the fact that financial education is lacking in the school system. "Children either think that money grows on trees, or they always hear that they can't afford this or that – they grow up with a fear of money," she says. "I explain the Good, the Bad and the Ugly – there is no perfect investment. Each client has specific needs and goals – you can't throw a dart and say that's appropriate for them." Ronn also says advisors don't need to overcomplicate it, but they must educate clients about what they're getting into. "We have to be open and honest and must explain the risks inherent. If you explain it to the client, they can make a decision and not have buyer's remorse."

Would You Put Your Parents in This Investment?

Ronn says she tries to put her money where her mouth is. "If someone asks if I own this investment, I can say 'yes' or that my husband does," she says. "Do you believe enough in the investment to put your own money in?" That situation isn't appropriate for every client, but she does ask herself if she would put her own parents into a particular investment.

Men and Women Make Decisions Differently

Approximately one-third of Ronn's clients are female. She notes women take longer to make decisions than men and are generally more methodical. That doesn't mean she thinks women should consult only with female advisors. "I know many men who are very successful with advising women – they listen. The way to be successful is just listening – don't interject your words until they are finished," she says.

When choosing a financial advisor, Ronn recommends asking for introductions to long-time clients. "They bring a better description of what we do than anyone else," she says. She adds that many of her clients have been with her for 30 years, and it's like a long-term marriage. "People don't want to start a relationship with a financial advisor and have to do it again in a few years," she says. Ronn doesn't have a minimum net worth requirement for clients but looks for someone who wants help and with whom she thinks she can have a lasting relationship.

For more information please e-mail ann@incomeprotectioninc.com

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BY MATTHEW EDWARD

MONEY won't BUY HAPPINESS,

BUT IT CAN BUY PEACE OF MIND

"Happiness is not something ready-made. It comes from your own actions."

The Dalai Lama said these words in response to a question about how to find true happiness in life. And while money can't buy happiness, the proper use of it can make life far less stressful. That's why Steven Seide works to get his clients to a good place financially, so that they can focus on what truly makes them happy.

"I just want to be of value to everybody, because I think everybody needs help," Seide, CFP, AIF, president of the Seide Financial Group, Inc., told Advisors Magazine during a recent interview.

Seide Financial Group, Inc. – Commonwealth Financial Network®, Member FINRA/SIPC, and Registered Investment Adviser – is based in Exton, Pennsylvania., and provides investment advisory, insurance, and retirement planning to referred clients. The firm also provides analysis services for estate planning, financial needs, and business needs. The company does not maintain a firm minimum to invest, and currently manages $135 million held by 253 households, Seide said.

"We all really want the same things over the course of our lives. We all want joy and happiness in our lives, but I feel many people struggle in those areas," said Seide.

He's right, most people aren't happy – at least, not when it comes to money. The American Psychological Association's 2017 Stress in America survey found 62 percent of Americans describe finances and making financial decisions as "stressful." And financial planning is stressful. The decisions that need to be made, the research, the sheer number of products glutting the market; it can be difficult, almost impossible even, for investors to sort through it all and make the best choices for themselves.

Seide works with clients to navigate the confusing marketplace of financial products and ideas. He doesn't approach clients with cookie-cutter solutions and programmed asset allocations, either. Instead, he engages clients in a conversation about who they are, where they want to go, and how they want to get there.

"I think the problem that most people have is that there's so much television out there. People are watching MSNBC or CNBC all day long, and it's so confusing and so upsetting. One guy comes on and says the world is ending, then the next guy comes on and says everything is really good and you should be throwing all your money at this fund," Seide said. "I start by having an open dialog about what is it that you want."

Seide works to make sure clients understand their finances without loading them down with complicated

industry jargon. But, he said, clients who want a detailed picture of how their financial products work are entitled to an explanation, and he's happy to give them one.

"Using an analogy of a clock, if people want to know what time it is, then we'll talk about where they're going on a philosophical basis," Seide said. "If they want to know how the clock works then I'll actually go into the specifics of financial planning, how different funds work, how different stocks work. Many people wish me to treat them like family and manage their finances as if they are. And some people want to know everything that we do from soup to nuts, which is okay. They're both right."

Financial advising is not immune to the forces of automation and customization roiling other industries. As more automated tools become available, more investors might opt for a do-it-yourself approach to financial planning and investing. The tools can prove useful, Seide said, but an injured person should not use WebMD and then call a physician asking for a painkiller prescription. Likewise, many investors need someone – a human someone, not a machine – to call when a market downturn hits.

"There's a place for robo-advisors, but when the market goes down, then what do you do?" he said.

"Some people need somebody to call to say, 'It's really okay, you're going to be fine.'"

Automated tools focus on sheer return, but that's not what clients need; often they need a solution tailored to their financial goals.

"Money management isn't the most important thing, focusing on the client is. Focusing on whether you get 4.1 percent, or 3.2 percent, or 6.1 percent, is just not the way to go as a financial advisor. It would be if I was a stockbroker, but I am not. I am my clients' confidant and their advisor. I consider my role at Seide Financial Group as a fiduciary, meaning that my clients' well-being comes before commissions or firm profits," said Seide, adding that he takes his responsibility to safeguard clients' money very seriously. "I'm accessible when I'm awake."

Seide recounted the frustration and worry he felt during the 2008 financial crisis. As markets melted down, Seide stopped sleeping, walking the halls of his house for six months during the night thinking about how best to keep clients' assets safe. While he works harder today to separate emotion from finance, the story illustrates the care he has for clients and their hard-earned assets.

"If someone trusts me to manage their money, I treat it as if it is my own; I would not do anything for you that I would not do for myself. I treat everybody as family, that's what I feel a fiduciary is. We're all on the same team and the goal is to win together, or everybody loses."

For more information on Seide Financial Group, Inc., visit: seidefinancial.com

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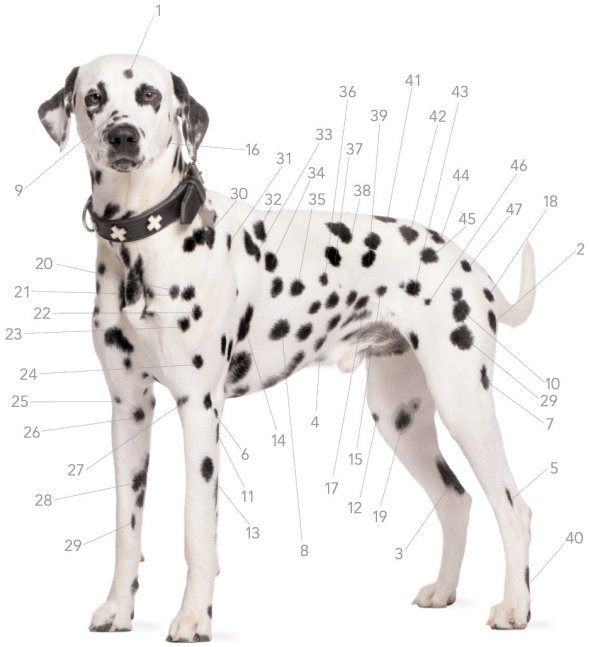

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BY JANE MEGGITT

A Single Source Solution for The Participant's Benefit

If you know what the strategies are, you will be well served for the rest of your life.

For Sean Ruehl, the president of North Carolina-based RJ20 Inc., politics led him indirectly to the financial industry. As a kid, at the end of the Carter administration, he heard economic complaints from his family. Then Ronald Reagan came into office and economic changes began – he wondered what caused that difference.

Post-college, Ruehl worked in banking, making his way up to the trust department. In 2000, the banking industry created wealth management, the merger of private banking and trusts. Now he was responsible for guiding clients through every service, including insurance, investing and banking.

When Ruehl and co-founder Chip Jurgensen started RJ20 in 2009, they focused on making what they did in the wealth management world available to the everyday employee. They charge a minimum flat fee for their services, starting at $3,000 annually per plan and based upon plan assets. "We lock in the fee for the first three years, so it is budgetable," Ruehl said. RJ20 markets to 401(k) plan advisors, who can in turn help participants.

Computer Model Rendering Advice

RJ20 uses computer model rendering advice to participants so it's a repeatable, documented process. Using 5,000 simulations for goal assessment, they look at the highest probability from their number-crunching to reach the goal with the least amount of risk. They then examine the best mix of funds in various asset classes and select them to create a portfolio. "We are not biased one way or another towards passive or active funds, as we look at the net results, fees and risk. So we're truly recommending the best fund per our analysis and not having a bias get in the way of our advice," says Ruehl. Every participant gets access to that analysis, and the technology is available via an online portal.

Well-Analyzed Retirement Reports

Before RJ20 sends out retirement advice reports to plan participants, they've done significant analysis, asking, "Is it simple enough so that people can understand and take action on it?" Ruehl adds that reports must be sophisticated enough so they don't seem like simple calculation. "We found the balance between simplicity and complication, so it's credible. We've seen people with sophisticated backgrounds and those who never had a checking account read the report and 'get' it."

No Conflicts of Interest

"We're a third party," says Ruehl. "We don't have anything to do with funds in a plan or recordkeeping. It's impossible for us to have a conflict of interest – we don't sell products." He notes that by explaining what his firm can't do, people immediately grasp that they can give the best advice possible.

RJ20 has their advice reports provided to all participants. "If we're not involved, the advisor has to sit down with the client and start from scratch," says Ruehl. "If we're engaged, we have reports for each participant and the advisors have them. We've created the foundation and they can immediately engage in digging into points rather than waste time doing basic analysis. We allow financial advisors to do more."

Finding Success by Initially Failing

RJ20's greatest success came about inadvertently, by listening to clients about why they didn't hire them. "When we were convinced we were going to get business and didn't, we'd ask what would it have taken for you to say 'yes' to us? It's a powerful question and we'd take the feedback and tweak our model to accommodate it," Ruehl recalls. "The idea for our great service was basically a lot of no's."

To learn more about RJ20 Inc. visit: rj20.com

BAUME & MERCIER

MAISON D'HORLOGERIE GENEVE 1830

BY AMY ARMSTRONG

Helping Clients Become Entrepreneurs in Retirement

He calls himself the "serial entrepreneur." And he says that his experience starting and exiting several different businesses fuels his current passion: helping retirees and those nearing retirement create a full-time business or side gig that provides economic security and professional fulfillment.

Mike Harris, owner of the Smart Money Network based in Prattville, Alabama, is one among a growing number of financial services professionals who aren't just managing money and rebalancing portfolios. They are helping their clients create income streams and to establish new business ventures.

The notion of a financial advisor doubling as a career counselor has emerged as a differentiator among financial professionals. In fact, it was just a couple of years ago that "Investor's Business Daily" and "Forbes" magazines reported on the new trend as way for advisors to diversify and make their services more relevant to clients.

Harris agrees.

"I think advisors have to get away from portfolio management as the primary value they add for clients because the reality is that computers can manage a portfolio and select the best investment strategies much better than a human can," he said. "Computers are not subject to the emotional side of trading as humans are."

While adding divorce management is becoming a popular option for financial advisors, Harris selected entrepreneurial development to be his "value add" for the financial services clients of his other firm – River Wealth Management.

Today's retirement isn't the same as what Grandpa experienced. For more and more Americans, those retirement years are marked with a significant need to still earn income.

As Harris points out, the reality is that half of today's baby boomer generation who are from ten to 15 years away from traditional retirement ages simply are not financially prepared to retire.

"At least half of them have only $100,000 or less saved," he said. "That just isn't enough."

To navigate the complexities of the financial services world, Harris believes that educating his clients on financial topics is a critical component to help them become a successful entrepreneur, and also to help them save successfully to fund their hopes and dreams.

"People are afraid of the things that they don't understand. It is why people postpone planning for retirement," Harris said. "Unfortunately, people do not understand many of the basic concepts of the financial services industry."

That is where Harris, who couples business experience with his understanding of financial services, helps folks heading into retirement – without a large savings account – to discover and claim a way to still enjoy their golden years.

"The reality is that so many Americans are going to be forced to work for a good part of their life," Harris said. "My mission is to help them find a way to live in dignity during what would be their retirement time."

For more information on Mike Harris visit: riverwealthmanagement.com and smartmoneynetwork.org

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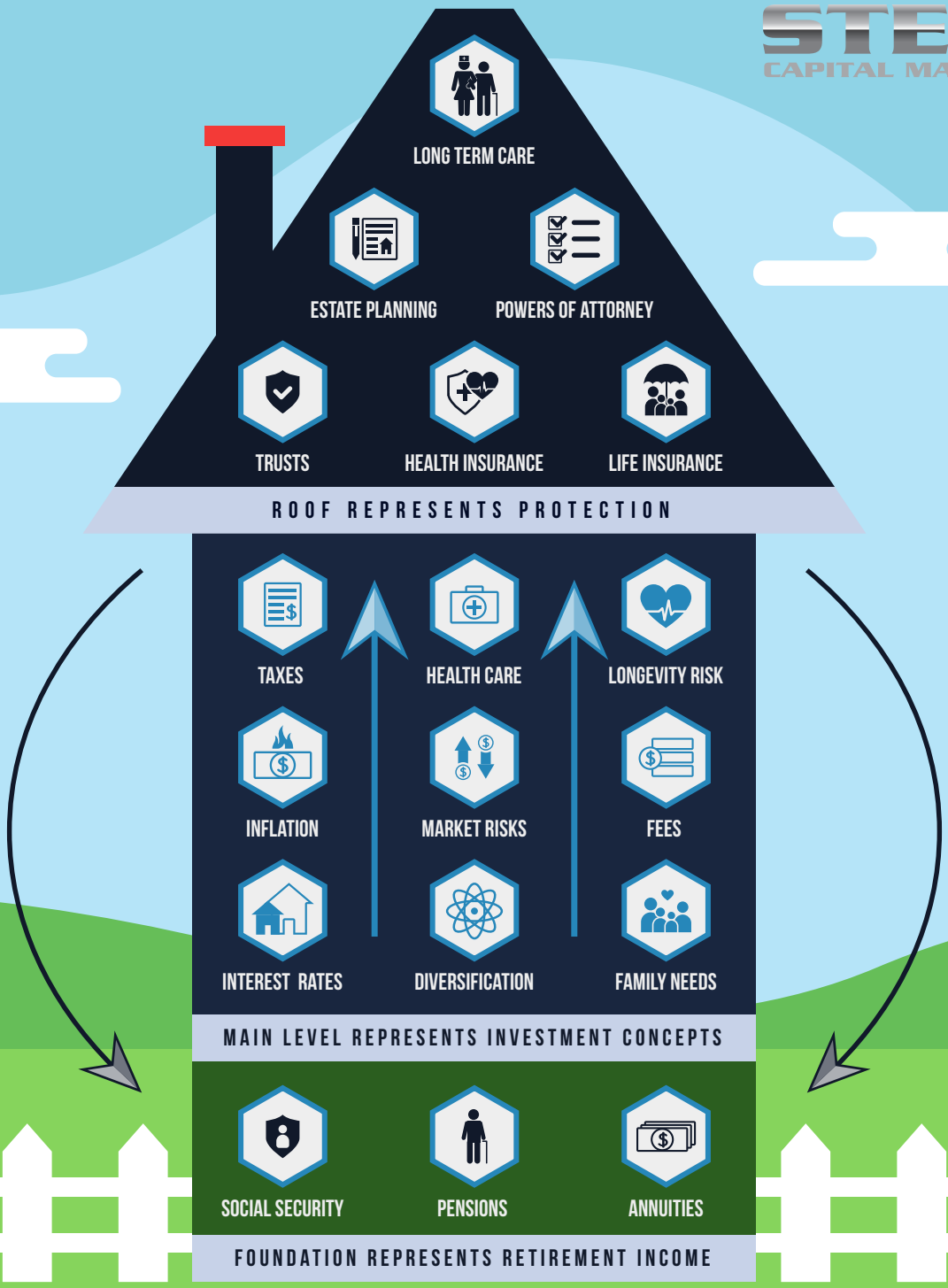

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BY AMY ARMSTRONG

INNOVATIVE SOFTWARE

FILLS GAP IN RETIREMENT PLANNING

When it comes to using financial planning technology that will best serve their clients, financial advisors have many options. Some software programs and applications are layered to factor in many variables, while other systems are more streamlined.

Yet, even with this wide spectrum of choices, financial services industry veteran, Richard "Dickie" Dean felt there was what he called "a huge gap in the retirement planning community." So, he and his partners Nick Stovall and Rolando Espinosa created IncomeMaximizer® – and they did so with the help of specialists in systems design, law, finance, accounting, and other fields.

IncomeMaximizer was built by industry people for industry people on the premise that a comprehensive financial software program can be user-friendly, and that it can provide financial advisors with data that ultimately leaves their clients feeling confident about their financial planning.

"It is a living document," said Dean, CEO and board director of IncomeMaximizer based in Plano, Texas. "It is like a financial physical every year as updated information is loaded on the software and both the clients and advisors then have a current picture of a client's financial situation."

IncomeMaximizer® software allows financial advisors to collect data from a client's investment and income accounts and analyze how each account affects the others. In designing the application, Dean called upon his nearly 40 years of experience in the financial services industry to determine what information must

be gathered to give advisors the best opportunity to guide their clients toward sound decision-making.

The program also provides "what-if" scenarios for what Dean calls "trigger dates," as clients take a look at their options for retiring at various ages – popular choices include age 55, 62, 65, 66.? - 70 and 70.5…

"These trigger dates really matter as they play a huge role in people's lives in regard to their income for retirement," Dean said. "People have to get a grip on those key dates and what the issues are surrounding the choice of when to retire. Some people don't want to start their Social Security too early because they don't want that discount, or others cannot wait until a later age because perhaps their savings aren't large enough, or they may have a health issue and cannot afford to wait."

To achieve the goal of making IncomeMaximizer® an easy-to-use, yet comprehensive platform which includes calculations of all tax buckets, for advisors, Dean partnered with several leaders in the financial services industry.

Nick Stovall is one of those partners.

Serving as IncomeMaximizer's chief financial officer, Stovall's background includes 25 years in public accounting before joining the private sector to start his own CPA practice . His role with IncomeMaximizer® includes creating the calculation of income and tax projections to create ongoing forecasts for clients.

When Stovall and Dean met about ten years ago, Dean shared spreadsheets he was using to present information to clients. Dean was seeking a better way to identify and present hidden investment taxes to clients. Similarly, Stovall said that too often his analysis of investment fees and tax projections being paid by clients did not match up to what brokers selling various investment vehicles touted as the projected cost.

The pair decided to create the IncomeMaximizer® as a "total life" planning tool. It would incorporate every detail of financial information that impacts current planning and future choices.

For instance, the impact of taxation on a client's wealth was something the pair wanted defined much more clearly.

"We wanted to make sure that we understand that taxes are going to be generated through what we make, and what we don't make, in the investment choices for a client's portfolio," Stovall said.

With such comprehensive personal and financial data in one central online location, concerns about security are a legitimate worry that clients may present to advisors, Dean acknowledged, so he wanted IncomeMaximizer to be the most secure system in the industry.

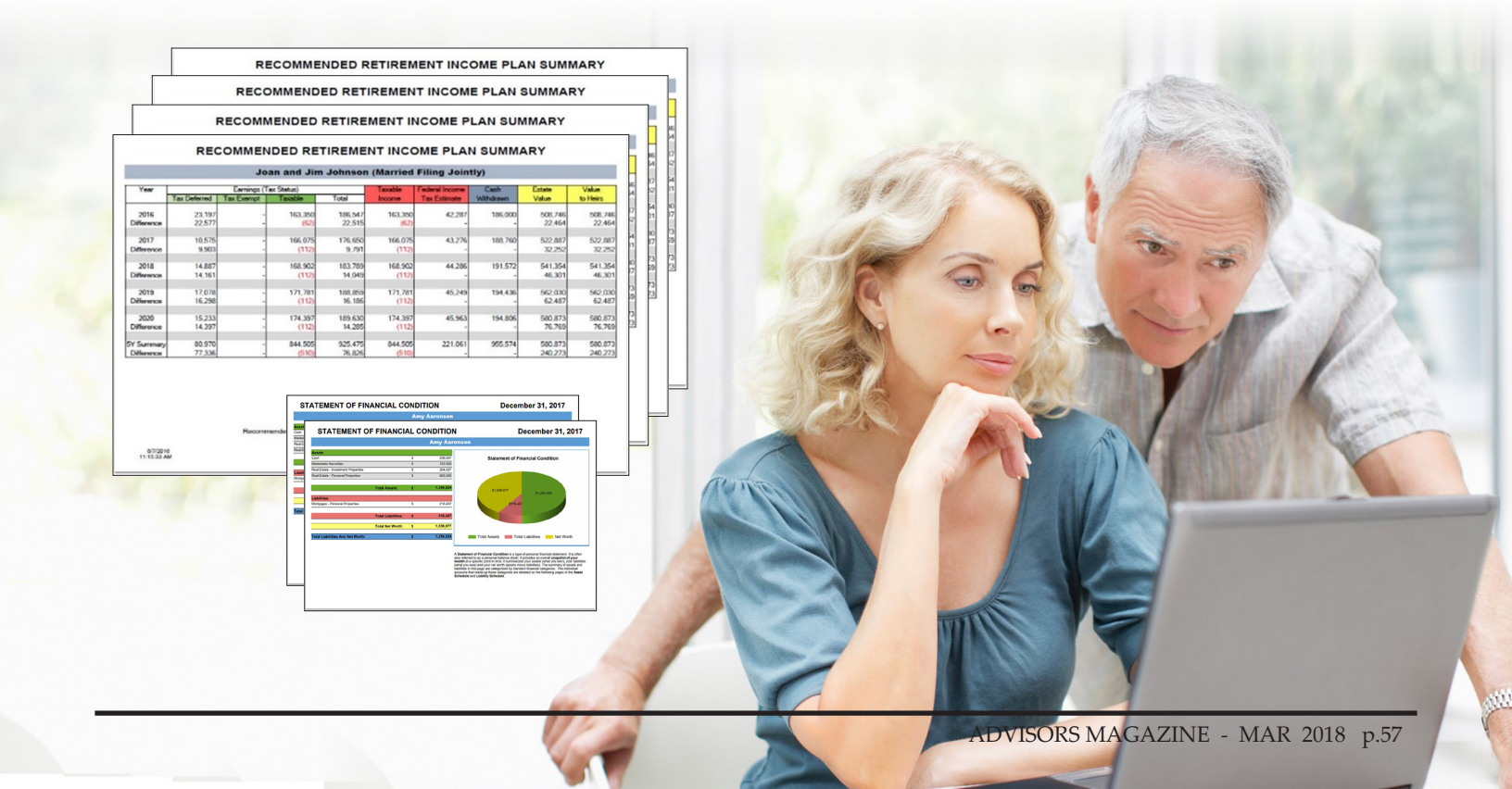
His choice to host the application in the IBM Cloud is the first line of defense against hackers.

"Those are very secure data centers," he said.

However, noting that hacking financial data is a pervasive cyber danger despite targeted mitigation efforts, Dean said his company has opted not to include specific pieces of information on client accounts – that includes social security numbers.

"Social security numbers are not used to create the client's account on this system," Dean said, noting that the advisor and client work together to create a unique name for the account. "A hacker won't find sensitive data linked to the client's specific account so it makes our system very unattractive to them."

IncomeMaximizer® not only assists advisors with collecting and analyzing data, its comprehensive "Solution Selling" approach helps to illustrate their role as a fiduciary –



INCOMEMAXIMIZER® PROVIDES A SET OF COMPREHENSIVE CALCULATORS AND FORECASTING TOOLS DESIGNED TO HELP FINANCIAL ADVISORS ADDRESS THEIR CLIENTS' UNCERTAINTY BY PROVIDING A CLEAR PICTURE OF THEIR RETIREMENT INCOME AND INVESTMENT ALTERNATIVES.

that is, putting the client's needs ahead of their own.

While Dean has always operated in a fiduciary capacity, other advisors looking to be compliant with new federal regulations governing the financial industry may find the software application helpful.

For instance, one of the key points of fiduciary compliance is giving clients options to select from when making investment recommendations/choices.

"IncomeMaximizer® makes it easy to present multiple product options clearly and concisely to your client," according to Dean. "The forecasting tools and calculators clearly demonstrate how various investment choices would impact your clients under different scenarios. At the same time, these tools archive the reports/documents that justify the recommendations that you presented to your clients. Specifically, with Roth IRA rollovers, IncomeMaximizer® can calculate and display the pros and cons of moving the money over any time period, and help you make recommendations that minimize taxation."

While these tools help build client confidence, advisors can also be confident that the detailed reports document their efforts to serve the client's best interest.

That is a vital asset for any advisor to have. If clients can detect even a shred of insecurity regarding the advice from an advisor, the likelihood that they will not move forward with the recommendations, or even switch to another advisor increases.

IncomeMaximizer® is a tool designed to help advisors build a trusting relationship with a client that puts both on the same side of the table to map out a plan to meet the client's retirement objectives, Dean said.

Rolando "Ro" Espinosa is the chief operating officer of IncomeMaximizer®, and he is credited with creating the software system.

"One of the things that Dickie did almost intuitively was to put into this product the ability to constantly update the information for the client," Espinosa said. "It is incredibly efficient. A client can pick up the phone, give the advisor the new information and the advisor can give an immediate update on the impact of that new information on everything from cash flow, to their balance sheet, to any associated risks, and what that new information means for the client's holistic retirement plan."

Dean said IncomeMaximizer® specializes in providing an accurate answer to what is perhaps the most common question clients ask their financial advisor: "Do I have enough money to retire?"

And he is very pleased when he can tell them, "Yes, you do."

Dean, Stovall, and Espinosa have worked diligently to create a software application that can bring the same satisfaction to other advisors who use IncomeMaximizer® within their firm to analyze and maximize their client's financial portfolios.

Learn more about IncomeMaximizer® online at incomemaximizer.com

Wealth and Retirement Solutions Team

Richard (Dickie) Dean, CEO & Board Director

Dickie is a seasoned financial advisor with nearly 40 years of experience in retirement, estate, and wealth transfer planning.

Nick Stovall, CFO

Nick boasts an extensive background in accounting, finance, and investments. Nick is a Certified Public Accountant with a Personal Financial Specialist (PFS) designation along with the Certified Global Management Accountant designation.

Rolando "Ro" Espinosa, COO & Board Director

Ro has consistently delivered profitability and growth, both as a consultant and senior executive, for over thirty-five years.

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RONALD REAGAN BUILDING
AND INTERNATIONAL TRADE CENTER

BY JANE MEGGITT

PEOPLE ARE REALIZING THEY MUST RETIRE ON THEIR OWN MONEY

THE CLIENT IS THE TEAM OWNER AND WE'RE THE GENERAL MANAGER

Longer lifespans mean retired people are in greater danger of running out of their money. That's less of a problem when a financial advisor seeks to plan a client's retirement to 100 – or more. That's how Andrew J. Paladino, CPA, MSF, founder and owner of Maryland-based Paladino Financial Group, plans for his clients. First, there's the accumulation phase, then the financial advisory plan for the second part of life, and finally, the retirement distribution phase.

The CPA Advantage

After graduating from college, Paladino received his CPA degree, and worked for a large public accounting firm in Baltimore for just over 12 years. After receiving a master's degree in finance, he decided to go the financial advisory route, eventually launching Paladino Financial Group as an independent advisory firm. As a CPA, he's good at number crunching, and can look at tax issues with clients and consider how investments and retirement assets will look like from a tax perspective.

Team Owners and General Managers

Using a sports analogy, Paladino says his firm looks to the client as the team owner and they are the general manager. "We look for players for them in financial management or their retirement plan. I'm not at the computer trading, buying and selling every day. We hire professional money managers for that. If someone tells you they are going to manage money directly, how are they going to meet with you?" he says. His firm is always monitoring those money managers. "We look at their track records, and how they've done when the markets go bad. We're not tied to them forever," he says. That information is shared with clients and utilized to make a good fit. "We make sure the players are playing up to what they should be," according to Paladino.

The Human Approach vs. Robo-advisors

Paladino finds some financial apps are good for those wanting to get general information and knowledge on investment and finance. They're also a boon for people making automatic payments. "When you go into more complex areas, like robo-advisors, there's a place for them but also a disadvantage," he explains.

"When the market is very volatile, as happened a couple of weeks ago, one or two of them shut down. I'm seeing younger people who just started working. They tell me they look at online things but like to interact with an advisor one on one."

Asset Cycle Portfolio

For his retirement clients, Paladino uses the Asset Cycle Portfolio program to look for positioning and asset allocation. The program assigns jobs to different parts of the portfolio, with a 10 to 30-year goal. He goes over different withdrawal rates with clients and looks to generate income that's not subject to the market, interest rates, or inflation. The plan is also designed so if there are health care issues, the client can still have income coming in. Each situation is different. Another variable considers members of the "sandwich generation" who must care for their own parents. How does that affect their retirement monies and the ability to save as much? "We try to structure it in a way that will work," he says.

The Changes Needed

When asked about changes he'd like to see in the industry, Paladino says the dialog on the retirement side is evolving more. "People are realizing they have to retire on their own money," he says, adding that clients understand they aren't going to have much in the way of a pension or Social Security, the way their parents or grandparents did. "They have to find a different way than historically to make it work," he says.

Paladino is also concerned about ads people see on TV, in the newspaper, or online. "Disclosures should be less hype – if you're going to promote something, put it in the disclosure and not in the fine print," he says. Clients come to him about these offers, such as a firm guaranteeing 7 percent. Paladino says clients need to know exactly what that means. "How will [the companies] go about it? Find out the details," he says, noting it is part of his job to educate clients on how these investment vehicles work.

There's also fees and fine print. For 401(k) fees in particular, Paladino feels employers should inform employees about the fees, especially if these fees are higher than normal for 401(k) plans and other plans offer lower fees. If there's a reason the employer is going for a plan with higher fees, that requires explanation. "They should state they know what the fees are and here is the reason we are staying with this company," says Paladino. "For employees, I'm not really sure they are getting full disclosure about all costs even though they are supposed to. I've seen a lot of 401(k) statements from clients, and it will show annual or monthly fees, but I don't think the internal costs – revenue sharing, provider costs – are clear. People think they're only paying $35, but when you disclose all those internal costs, it causes more confusion. There's nothing for free, there are always costs involved, and clients need to understand what the costs are and are you getting value for them."

A Financial Advisor's Advice on Financial Advisors

When looking for a financial advisor, Paladino recommends asking about a person's background, education, and how long they've been a financial advisor. It's also crucial to find out how the advisor is paid, whether through commission or fees. Potential clients need to know whether an advisor is affiliated with just one company or only pursues certain companies' products or investments. "Are you open to everything out there? Will I have online access to accounts? How often do we meet, and am I meeting with you or a staff member?" are other suggested questions to have answered before making this important decision.

As for Paladino, his firm doesn't require an investment minimum. He's helped out younger people who have just $500 to put in an IRA. "People ask, 'Why are you helping them?'" he recalls. "You don't know what happens down the road. They may have a family, or maybe their parents need help." Paladino says he's never really turned down a client, but some clients prefer a different approach. "I look at my ability to communicate with them, break it down and educate them. That's what people are looking for – someone who can communicate with them," he says. "Sometimes, people don't understand accounts they already have. I can look it over and make it easier to understand."

For more information on Paladino Financial Group, visit: paladinofinancialgroup.com

PFG PALADINO FINANCIAL GROUP

BY AMY ARMSTRONG

SHIFTING FOCUS FROM
BENCHMARKS TO CLIENT GOALS

Contrary to popular belief, beating benchmarks won't necessarily help financial advisors address their clients' financial goals.

Instead, shift the focus to guide clients toward the strategies they need to pursue their target for whatever financial goals they are working toward. Sure, beating benchmarks can at times equate to a ten percent gain. But those are rarely permanent and why add risk if a client truly needs a seven percent gain to manage objectives?

That's how Brad Blackburn, managing partner of Dyadic Financial Management, LLC, based in Columbia, South Carolina, advises his clients seeking consistent, reliable gains via their investment portfolio.

He says the focus on benchmarks is something he'd like to see change within the financial services industry because it significantly detracts from pursuing client goals.

"Every client's starting point is different and every client's ending point is going to be different and their risk tolerance along the way is going to be different," Blackburn explained. "I want to provide a customized approach for every client as opposed to taking a cookie-cutter approach which throws everyone into the same strategy for their investment planning."

Some clients may need more alternative investments in their portfolio, versus other clients for whom the use of annuities or life insurance with long-term care benefit riders are the better option to protect their wealth accumulation.

This requires client education – a tactic Blackburn engages with gusto.

As a big believer in client education, he wants his clients to understand why he is using certain strategies in their portfolios and why he isn't using other vehicles. He wants them to be able to communicate that back to him – and their friends – in plain English.

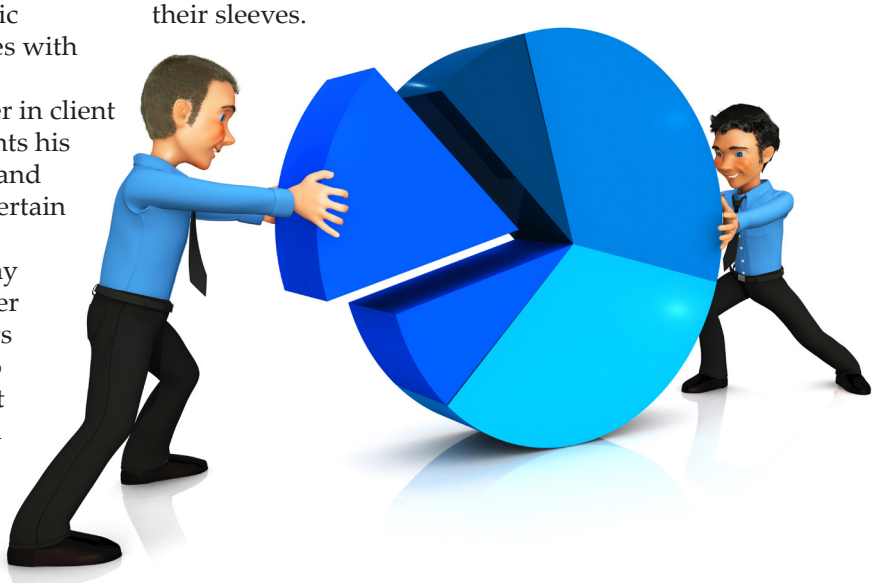
That is not always an easy task based on the extensive amount of complicated lingo that characterizes the financial services industry, yet it remains his goal.

Blackburn became an advisor in large part because he saw a lack of financial literacy among his own family members whom, despite having good paychecks, were struggling with their own progress toward security.

It was because they could not fully define their goals, he said, noting it is a common problem he sees among new clients until they sit down together on the same side of the table and roll up their sleeves.

"People often have a hard time actually defining their goals to develop a game plan toward pursuing them," Blackburn said. "I enjoy getting them down on paper because once they are written out, we have a better chance of developing a plan to address them."

Learn more about Dyadic Financial Management, LLC, online at dyadicfinancial.com.



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BY JUDE SCINTA

"MY JOB IS TO BE YOU."

Fiduciary maverick Jeremy Walker

"Clarity, Education, and Progress" is the mantra of Maverick Wealth Management, a member of a Registered Investment Advisory firm based in Burleson, Texas. The firm, located just outside of Fort Worth, is a place where clients are comfortable discussing their personal goals, hopes, and challenges. **Communication is an essential part** of the Maverick experience which includes a holistic and customized approach to investment planning that aligns with a client's vision for his or her future.

"We chose the name Maverick for one reason. It's someone who doesn't follow the masses," said Jeremy J. Walker, CRPC, AWMA, president of Maverick Wealth Management. "For us, as a tactical firm who favors contrarian-style investments, it's a really good fit for our approach of relationships over profitability, and compassion over firm growth. We've got the awards to confirm our business success, but that's not what matters to us, it's the people that matter to us."

Separating from the Pack

Today's investment arena is a place of heightened transparency, changing suitability standards, and ongoing innovation says Walker. "What we notice is missing is emphasis on

relationships," he said. "We live in this world of robots and technology, but we believe that the most valuable piece is caring about the people."

Within the financial industry, "the fact that it is an individual-based business has diminished," he continued. "This is about people, and if we lose that track and we forget that each person is different, and their level of understanding is different, then we're missing the boat."

Expanding on his philosophy, Walker believes that client relationships are built through a respect for people as individuals and a dedication to client education, not by grouping clients as a whole and doling out cookie-cutter investment solutions.

"Education is, in our opinion, one of the most important pieces of the relationship because it allows the client to understand what we're doing and why we're doing it," he said. "By educating clients throughout our relationship, it helps them to better handle market downturns and unexpected events. Through it all, if the proper expectations were set, and the proper education was delivered, often the emotional competency raises for those people."

For instance, in his relationship-based approach to advising, Walker often learns that his clients are concerned about leaving a legacy for their family. So, he encourages what he calls "generational planning" where they meet with the children of their clients to help them start their financial planning early in life.

"Einstein said 'the greatest invention ever is compound interest.' The sooner we can get people making the right decisions and allowing those decisions to compound for their own betterment, the better chance we have at the end of the game," Walker said.

Relationships Work Both Ways

To establish the foundation of a client relationship, and to illustrate his role as a fiduciary, Walker tells his clients, "My job is to be you as much as I can be – with your understanding and your knowledge. If I were you – with your goals, your risk tolerances, and your concerns – what would I do?"

Acknowledging that there's a lot of different ways that people learn, Walker says that educating clients is an important part of providing a fiduciary experience to ensure that they have sufficient, if not significant, understanding of products, market fundamentals, and risk associated with various investment strategies. Fee disclosure is also important to discuss with clients Walker says, as it promotes transparency.

Additionally, he takes the time to explain basic industry nuances to ensure clients and prospective clients have a full understanding of who they are working with.

"There is a misconception within our industry that is widespread, people don't understand the

difference between an advisor, a planner, and a wealth manager," said Walker. "Aren't you all the same thing?" he often hears people ask. So, he understands the current effort of the Department of Labor to enforce regulations to require all financial advisory professionals working in any capacity to be held to a fiduciary standard – meaning they must always serve the best interests of their clients.

"Instituting this standard will provide a concept of unity in the industry where people can have some confidence that, no matter who they see, there is a legal requirement for the financial professional to do what's right and in the client's best interest," he said.

Just as it is important for an advisor to understand the client on an individual basis, it is important for the client to understand the advisor. Walker suggests that there are important questions to ask a financial professional before entrusting their finances to them. Experience, investment philosophy, and fee structure make the top of the list, along with inquiring whether the advisor has any limitations, fines, or sanctions.

"A prospective advisor should also be asked about their market exit strategy within their portfolio strategy. And the flip side is also true, what is an advisor's market entry plan? How are we putting money into the market? Are we buying everything today, or are we going to dollar cost average it in?" he said.

Uniquely, Walker suggests each investor ask themselves "what is you risk transfer strategy." Walker then suggests if you don't have one, or know what one is, then you should consider meeting with a professional to help design one. Walker comments, "At this stage of the market cycle it could potentially be the most crucial decision an investor can make."

However, to understand what motivates an advisor, Walker recommends asking the advisor a simple, straightforward question that trumps them all: "Why are you in this industry?"

"Competency and education are important, but truthfulness and trustworthiness are the backbone of every relationship," he said, stating what he felt clients look for in an advisor. In fact, he credits the latter in helping to build Maverick Wealth Management.

Advice that Shaped the Advisor

Walker grew up on a dairy farm in North Texas. It was hard work with little reward – his family made just enough money to get by. As a competitive athlete in high school, he saw that the parents of his teammates were able to afford to pay for club sports activities, while he had to work to earn the money to participate.

"I knew at an early age I had to do something. I either had to play pro ball, or I had to get good at managing money." While pursuit of his baseball career was sidelined by injury in college, something his grandfather told him when he was young stuck with him: "There would always be a need for money and people to manage money," said the elder.

"Year over year, our biggest goal at Maverick Wealth Management is to cultivate and grow the relationships that we have. Our mission is to create a guide map towards our clients' financial future," said Walker. "Most mission statements for businesses are growth or company focused. Our business engagement as a whole puts our clients first. We take care of our clients the right way – we call it the Maverick way, and the business will take care of itself in the end," he said.

For more information on Maverick Wealth Management, LLC visit: maverick-wealth.org

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