MEDIA REVIEWS - December 16-31, 2016

The cover article for the December issue of Financial Advisor tells us, indirectly, that the custodians represent excellent hunting grounds for ambitious, experienced advisory staff, with the added bonus that they have a certain amount of large-scale administrative experience that can be helpful for a rapidly growing firm. But you have to wonder how the custodians feel about this perspective.

Joel Bruckenstein offers a peek at the new tech initiatives at TD Ameritrade, Schweab Advisor Services and Fidelity, including a new native SalesForce app in TDA's Veo platform, and an integrated suite of portfolio management tools plus new eMoney-powered goal-setting and monitoring in Fidelity's new Wealthscape platform.

This may be my last message to you before the holiday season; I want to wish everybody a terrific time as we close out the year with festivities and cheer.

Best,

Bob Veres
Inside Information
http://www.bobveres.com

*Check out Bob Veres's new book about the future of the profession and how to thrive in it, entitled **The New Profession**, available on the Inside Information website.*

Articles that received a "high" relevance rating:

"Custodians Raise the Bar"
by Joel Bruckenstein
Financial Advisor, December 2016
http://www.fa-mag.com/news/custodians-raise-the-bar-30103.html?issue=273
Relevance: high

TD Ameritrade is focusing on the client experience with its VEO One upgrade, and will also have data analytics, the result of the purchase of FA Insight earlier this year. Advisors will have a status tracker that makes it easy to monitor the status of new account openings, asset transfers etc., and a native Salesforce app that will let them view VEO data and get alerts through their Salesforce software.

Schwab Advisor Services is enhancing its Schwab Intelligent Institutional Portfolio (robo) offering by allowing more portfolio customization (950 ETFs and up to 45 advisor-defined asset classes in each portfolio). Meanwhile, the account opening process is being streamlined, and account funding options will permit assets other than cash: stocks, mutual funds and ETFs will soon be transferred into the robo environment.

Fidelity is rolling out Wealthscape, a new advisor platform that will have deep integration with the eMoney emX suite of products. Advisors will be able to move from planning to brokerage integration (account opening, funding and trading) with a collaborative vault that lets investors access copies of their account documents. A new digital advice solution called Wealthscape Digital Advice Solutions will be introduced, and another digital platform, Fidelity Automated Managed Platform will begin a pilot run in the first quarter of 2017. Clients will be automatically onboarded and there will be goal-setting and monitoring powered by eMoney. An integrated suite of portfolio management tools will help advisors manage portfolios, with automated proposal generation, modeling, advanced rebalancing and performance measurement and fee billing capabilities, starting in 2016 and added throughout 2018. (p. 34)

"From Giant Business to Small Firm"
by Evan Simonoff and Christopher Robbins
Financial Advisor, December 2016
http://www.fa-mag.com/news/from-giant-business-to-small-firm-30095.html?issue=273
Relevance: high
The theme here is that advisory firms are stealing talented executives from larger corporations. Like Relura Horton, who left Fidelity Custody and Clearing Services to become president and COO of Parallel Advisors in San Francisco. Horton had been the local Fidelity representative in Parallel's region, and knew the firm well. Her experience working in sales and relationship management will help support young advisors who are trying to attract a diverse client base. She has also seen what other successful firms have been doing.

Scott Dell'Orfano left Fidelity for Banyan Partners in Boston. He provides institutional experience to help scale the business as the firm opens up a Los Angeles and Florida office.

Kevin Dorwin left Schwab's product division for Bingham, Osborn & Scarborough in San Francisco. He completed his CFP requirements, took a 30% pay cut and worked his way up in the new firm from portfolio associate. Now he provides organizational and marketing expertise as a managing director.

Jane Newton left J.P. Morgan in New York to work at RegentAtlantic in Chatham, N.J. She targeted female clients who worked on Wall Street in executive capacities. (p. 38)

The rest of the articles:

"Post-Election Volatility—We've Only Just Begun"
by Christopher Robbins
Financial Advisor, December 2016
http://www.fa-mag.com/news/post-election-volatility-we-ve-only--just-begun-30122.html?issue=273
Relevance: low
The author anticipates further market turmoil as the inauguration draws near, and he says that investors should stay put. (p. 17)

"Election Results May Not Trump the DOL Rule"
by Christopher Robbins
Financial Advisor, December 2016
http://www.fa-mag.com/news/election-results-may-not-trump-the-dol-rule-30123.html?issue=273
Relevance: low
Dale Brown, CEO of the Financial Services Institute, is heartened by the Trump election and the demise of the DOL rule—giving, he says, Main Street Americans access to objective and affordable advice. Knut Rostad, president of the Institute for the Fiduciary Standard, says that the election won't necessarily lead to the rule's repeal. (p. 18)

"DOL Compliance: The New Growth Industry"
by Jerilyn Klein Bier
Financial Advisor, December 2016
http://www.fa-mag.com/news/dol-compliance--the-new-growth-industry-30124.html?issue=273
Relevance: moderate

Financial technology providers are hard at work helping advisors comply with the DOL Rule. Envestnet has created new software designed to help advisors assess client financial situations and goals, develop compliant portfolios, rationalize their fees and meet documentation and disclosure requirements. eMoney Advisor is going to roll out features that will help advisors gather data and develop goals for clients, and Riskalyze and SEI have developed DOL compliance toolkits. (p. 20)

"Learn to Love Digital Advice"
by (Staff)
Financial Advisor**,** December 2016
http://www.fa-mag.com/news/learn-to-love-digital-advice-30126.html?issue=273
Relevance: low
Cerulli Associates forecasts that the digital advice market (Robos) will grow from $83 billion by year-end to $385 billion by year-end 2021. Traditional advice providers will adopt the technology, while still providing personalized advice. (p. 22)

"SEC Seeking 39% Budget Hike, Money for New HQ"
by Ted Knutson
Financial Advisor**,** December 2016
http://www.fa-mag.com/news/sec-seeking-39--budget-hike--money-for-new-hq-29919.html
Relevance: low
Mary Jo White is requesting $2.2 billion for fiscal 2018, vs. $1.6 billion for the previous year. The budget request includes $291 million for the costs of building a new headquarters. (p. 24)

"Books of the Year 2016"
by Nick Murray
Financial Advisor**,** December 2016
http://www.fa-mag.com/news/books-of-the-year-2016-30098.html?issue=273
Relevance: moderate
Murray recommends Johan Norberg's *Progress: Ten Reasons to Look Forward to the Future*. It looks at metrics like food and sanitation, life expectancy, clean water, literacy and freedom.

Also: Bob Benmosche's autobiography *Good for the Money*, about saving AIG, getting people back to work, selling off businesses and paying back the government bailout money.

Also: Don Watkins' and Yaron Brook's *Equal is Unfair: America's Misguided Fight Against Income Inequality*. Also: *Jeff Gramm's Dear Chairman: Boardroom*

Battles and the Rise of Shareholder Activism, which tells eight episodes in the evolution of shareholder activism. Also: Larry Kudlow and Brian Domitrovic's *JFK and the Reagan Revolution*. It shows how Jack Kennedy embraced the idea of permanently cutting high marginal tax rates, and follows up on the Reagan tax cuts.

Also: Angela Duckworth's *Grit: The Power of Passion and Persistence*, which shows that persistence and determination are the real drivers of superior life outcomes. Also: Alonzo Hamby's *Man of Destiny: FDR and the Making of the American Century*, about President Roosevelt and the New Deal. Also a book about Elvis's first music producer, and the rivalry between Duke and North Carolina's college basketball teams. (p. 29)

"Private Client Lawyers: Exceptional Centers of Influence"
by Russ Alan Prince and Brett Van Bortel
Financial Advisor, December 2016
http://www.fa-mag.com/news/private-client-lawyers--exceptional-centers-of-influence-30101.html?issue=273
Relevance: low
We are told that the private client lawyers are where the money is; they provide the wealthy with services such as estate and asset protection planning, creative tax planning and succession planning. The authors say they come in four flavors: the technician, the rainmaker, the experimenter and the entrepreneur. The entrepreneurs tend to be the most successful, with innovative compensation structures and strong marketing orientations. Next in terms of success are the rainmakers, who can bring in new affluent clients. Experimenters get more revenues per client but are not astute at marketing. Technicians can be extremely competent but tend not to have very many wealthy clients.

So your goal is to turn entrepreneur and rainmaker private client lawyers into advocates who refer their affluent clients to you. (p. 32)

"The New Grand Strategy"
by Paul Ellis
Financial Advisor, December 2016
http://www.fa-mag.com/news/the-new-grand-strategy-30097.html?issue=273
Relevance: moderate
The author interviews Mark Mykleby, Patrick Doherty and Joel Makower, co-authors of The New Grand Strategy, a blueprint for how to restore America to greatness. They advocate pursuing security along a variety of fronts: terrorism, domestic crime, food and healthcare, energy and water security, housing and

community resilience and political security related to climate change. They envision walkable communities and public-transit-rich working environments, regenerative agriculture that rebuilds the soil and cleans up our waterways, and a shift to less carbon-intensive materials so we can keep trees in the ground to absorb water and sequester carbon.

There is a discussion of the investment opportunities, but the authors seem to believe that large corporations will be where the action is. (p. 44)

“A Year of Wild Headlines”
by Ben Mattlin
Financial Advisor, December 2016
http://www.fa-mag.com/news/a-year-of-wild-headlines-30104.html?issue=273
Relevance: moderate
This is about the emerging markets, where the election of Rodrigo Duterte in the Philippines set off a wild swing downward. In Brazil, the government has been racking up debt, while Turkey’s President Erdogan has been consolidating power and taking the country in a fundamentalist direction. In Russia, inflation is declining, interest rates are high and currency depreciation might help experts. Argentina is moving away from socialism and tackling its inflation problem. Columbia may be nearing a peace accord with the FARC rebel group, despite the referendum against the peace accord. China is at risk for a slowdown, which could impact countries that sell commodities to China. (p. 51)

“Do More ETFs Mean More Problems?”
by Christopher Robbins
Financial Advisor, December 2016
http://www.fa-mag.com/news/do-more-etfs-mean-more-problems-30106.html?issue=273
Relevance: moderate
Under the DOL fiduciary rule, advisors will need to get under the hood of ETFs before they recommend them. Most mainstream ETFs won’t have to undergo this scrutiny, but the more complex and active strategies could be too difficult to evaluate properly. Is there any evidence that smart beta and alt funds will deliver above-average returns? The article tells us that new exotic ETFs with zero track record are propagating so quickly that quality control over them couldn’t possibly be sufficient. Meanwhile, ETFs with low liquidity may trade at wide bid/ask spreads, leading to inefficient performance. (p. 53)

“Birds of a Different Feather”
by Caroline Rasmussen and Kunal Shah

Financial Advisor**,** December 2016
http://www.fa-mag.com/news/birds-of-a-different-feather-30107.html?issue=273
Relevance: moderate
This defines the differences between private equity and venture capita. Venture capital firms provide equity funding to entrepreneurs and early-stage companies that they believe can disrupt their industries. The VC is looking for a home run investment, and the investments range from less than $1 million for a seed stage deal to $10 million for a late-stage deal. In addition, VC firms provide expertise to help these start-ups refine their business plans and bring their products to market. A VC portfolio will be broadly diversified among dozens of companies, expecting most of them to fail. Basically, the VC model is in the business of creating new industries.

Private equity firms want to see a meaningful corporate track record and operating history before they underwrite investments. They look at future cash flows, and employ significant amounts of debt to make their investments. Private equity firms make more concentrated bets, with a more even distribution of their capital across each deal. They will make operational improvements in the companies they invest in to create value. Often they will take controlling stakes in the companies, and address business issues like high cost structure and weak management. (p. 57)

"Dialing Down International Stock Risk"
by Marla Brill
Financial Advisor**,** December 2016
http://www.fa-mag.com/news/dialing-down-international-stock-risk-30108.html?issue=273
Relevance: low
A profile of Ariel International Fund and fund manager Rupal Bhansali. (p. 59)

"Qualified Charitable Distributions are Here to Stay"
by Ryan Halpern
Financial Advisor**,** December 2016
http://www.fa-mag.com/news/qualified-charitable-distributions-30109.html?issue=273
Relevance: moderate
You know that your clients can make qualified charitable distributions directly from their traditional IRAs, providing tax benefits since there is no taxation on the distribution. IRA owners may choose to distribute up to $100,000 of their IRA each year directly to a qualified charity—and the IRS has ruled that donor-advised funds are not eligible recipients—and that amount counts toward the individual's required minimum distribution but not included in the adjusted gross income. That helps with the phase-out of itemized deductions and the 3.8% Medicare tax on investment income.

Or clients can contribute appreciated securities to charity and get a bigger tax benefit by avoiding capital gains taxes. (p. 63)

"Dumb and Getting Dumber"
by Scott MacKillop
Financial Advisor, December 2016
http://www.fa-mag.com/news/dumb-and-getting-dumber-30121.html?issue=273
Relevance: moderate
The author says that a 2015 study of financial illiteracy over 148 different countries found that the U.S. ranks 14th, behind Singapore and the Czech Republic, slightly ahead of Estonia and Bhutan. Only 57% of Americans could pass a basic financial literacy test.

How did we get here? First, a lack of a formal financial education. The industry has done little to solve the problem, speaking in jargon and with a love of complexity. Finally, our brains are not wired to be good savers and investors.

Financial education is proposed as a partial solution. Advisors also need to help people change their behavior, acting not only as portfolio managers, but as teachers of basic financial concepts. (p. 72)