June 2017

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EVEN SO, THERE'S A STRONG CASE FOR OPTIMISM


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COVER ILLUSTRATION AND AT RIGHT BY ROBERT CARTER

Left to right: Bill Morrissey, divisional president of business development of LPL Financial; Jeff Rosenthal, CEO of Triad Advisors; Amy Webber, CEO of Cambridge Investment Research; Robert Moore, CEO of Cetera Financial Group; and Wayne Bloom, CEO of Commonwealth Financial Network

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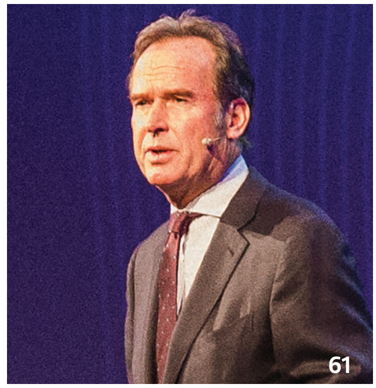
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ONE STEP AHEAD

Tackling a Complex Topic With Clients

It's better to have conversations about long-term care insurance well before your clients need to use a policy. These talking points can help advisers walk clients through these often complicated discussions. Watch the video at http://bit.ly/2r2sN9R

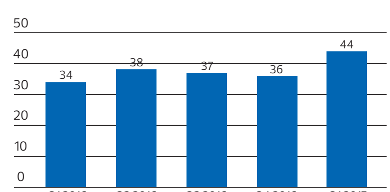
RIA M&A Activity Hits All-Time High

The sale of smaller RIAs fueled record M&A activity in the first quarter. The 44 transactions represented the highest number of deals recorded for a single quarter in the advisory industry, according to DeVoe & Co.'s most recent RIA Deal Book. To read more of this story, type the following link into your browser: http://bit.ly/2pkY3Uf

GUIDE TO GROWTH

Deal flow surges in the first quarter

RIA M&A transactions grew by 22% to hit a record high.



Source: DeVoe & Co.

EVENTS

JUNE	JULY	SEPTEMBER	
14-16 **Pershing Insite** San Diego http://bit.ly/1QeT1dr	**11-12** **In|Vest** New York http://bit.ly/1T97nON	**6-8** **Morningstar ETF Conference** Chicago http://bit.ly/1wNOgiK	**12-13** **Disrupt|Advice** New York http://bit.ly/2q6sLxA

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EDITOR'S VIEW

A Holistic Shift

IBD revenues have slumped, but what's rising may be a better indicator of the years ahead.

THE HINTS HAVE BEEN THERE FOR A WHILE, BUT *FINANCIAL PLANNING'S* 32nd annual *FP*50 ranking of independent broker-dealers reveals what appears to be a solid trend: An industrywide shift to fee-based service, in which IBDs increasingly resemble RIAs.

"The revenue figures among the top 50 IBD's reveal the evolution," Craig Israelsen tells me. Israelsen, a professor of financial planning at Utah Valley University and a longtime *Financial Planning* contributing writer, has analyzed the rankings for nearly two decades. "Fee revenue may surpass commission revenue when we do the survey next year."

*FP*50 revenue slumped 2.46% last year from the prior year. The magnitude of that drop was even greater than the 1.38% decrease seen in 2009 at the end of the Great Recession.

"It was shocking to see such a big decline in revenues, even though we predicted last year that the IBD space should expect a reckoning," says Senior Editor Ann Marsh, who wrote this year's feature, "A Case for Optimism," as well as last year's, "The Reckoning Arrives."

Yet even as 75% of the firms in this year's rankings reported a revenue fall, there was a bright spot: Fee revenue rose for 80% of them.

Marsh tells me the shift has been underway for years. "Now that pace of change could accelerate unless there's a big regulatory roll back," she says.

Some of the biggest IBDs in the country say the move toward holistic planning is inevitable.

Amy Webber, CEO of Cambridge Investment Research, for one, says her firm has rebranded itself as a financial services firm, rather than a broker-dealer. And Robert Moore, CEO of Cetera Financial Group, says that kind of change is "structural."

As Professor Israelsen says: "Times, they are a changin'." *—Chelsea Emery*

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

RETIREMENT ADVISER CONFIDENCE INDEX

Retirement Funds Get a Boost

Advisers see better business conditions, although political uncertainty and fees are areas of concern.

MARKET GAINS AND POLITICS ARE PROMPTING clients to invest more money for retirement, advisers said. Equity returns have created a sense of cautious optimism under President Trump, according to this month's Retirement Adviser Confidence Index — *Financial Planning's* monthly barometer of business conditions for wealth managers.

The index grew by 1.6 points to 56.4 after ticking down by 0.5 points the previous month. Risk tolerance also increased after a drop in the prior month, gaining 3.4 points to 56.

Clients contributed more to their retirement plans, bought more retirement products, enrolled in more employer-sponsored plans and paid for more retirement services, advisers said.

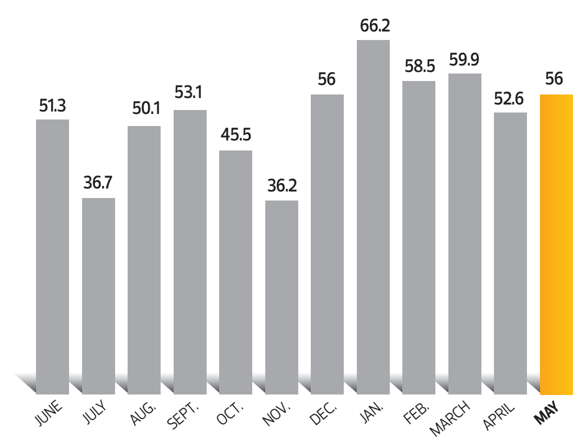
"As clients saw the equity market as the best way to invest, they kept putting money into the retirement plans," one adviser said.

Retirement contributions rose 2.3 points to 67.5, and retirement-planning fees swelled 2.8 points to 55.7. Market performance, Tax Day and the Department of Labor's fiduciary rule all played a role in clients' greater focus on retirement, according to some planners.

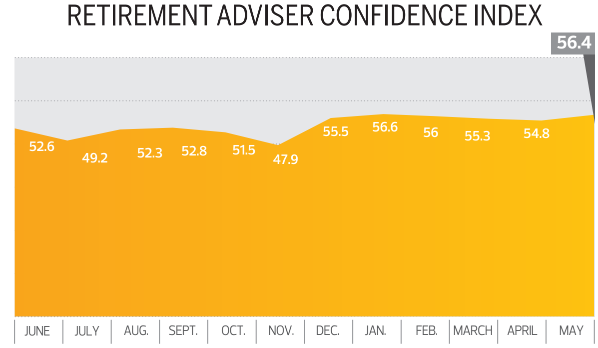
"Returns are up, so billing went up," one adviser wrote, offering a caveat. "The uncertainty regarding the fiduciary rule getting stalled out has made people cautious, even though markets have been doing well."

Another adviser said, "Fees were up only because asset levels were up, not because the actual fees went up. Fees are actually compressing."

RISK-TOLERANCE LEVEL



RETIREMENT ADVISER CONFIDENCE INDEX



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Several advisers agreed that fees remain a concern.

"Firms and clients alike are more focused on fees since news of the DoL rule," one adviser wrote. "Clients are now comparing fees instead of comparing services between employer plans and IRAs."

The comparison, the adviser added, displays a "typical apples-to-oranges fallacy."

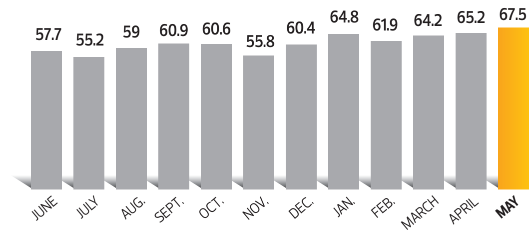
Any end to the solid business growth under Trump also poses risks.

One adviser has been warning clients that "there's a fair chance for a 10% market correction in the next nine to 12 months if earnings begin to stall."

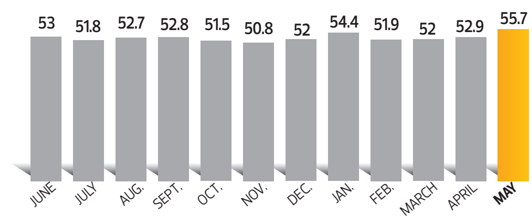
The Retirement Adviser Confidence Index is composed of 10 factors — including asset allocations, investment product recommendations, economic and risk factors, taxes and planning fees — to track trends in wealth management.

RACI readings below 50 indicate deteriorating business conditions, while readings over 50 indicate improvements. —*Tobias Salinger* **FP**

AMOUNT OF ALL CONTRIBUTIONS RECEIVED



FEES CHARGED FOR RETIREMENT SERVICES



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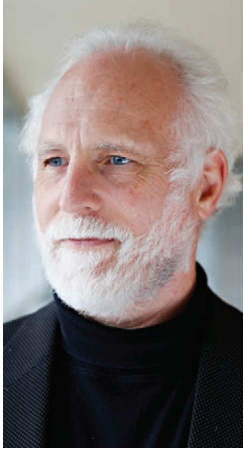

INDUSTRY INSIGHT
VERES

Before Going Indie

For a former wirehouse adviser, the Broker Protocol is just the first step. Fiduciary newcomers have to proceed with caution, Bob Veres says.

INDEPENDENT PLANNING FIRMS WILL need more than 200,000 new advisers over the next 10 years to replace the baby boom founders, according to calculations by Mark Tibergien at Pershing Advisor Solutions. But where are they going to come from? College programs are graduating hundreds, not thousands, of new advisers.

When I look for possible candidates, my eyes tend to fix on the 277,000 people currently in the sales environment at wirehouses, banks, regional brokerages and independent broker-dealers. There are more than enough of them to fill the void, they're trained in financial services and the brands they now work for have been irrevocably tainted by scandal after scandal.

Better yet, the brokerage firms have basically called a truce in the recruiting wars, in the form of the Broker Protocol. In essence, the Broker Protocol says, "I won't slap a temporary restraining order on the brokers you recruit from us if you won't take legal action against the ones we recruit from you."

The important thing to know is that the Broker Protocol isn't limited to brokerage firms. Just about anybody can sign onto the protocol these days, including advisory firms, and the basic rule is that the departing brokers can take their client contact information when they leave and nothing else.

Even better, it's getting much easier to move clients, what with all the e-signature technologies, automated document creation and the fancy new automated self-ACATS processes that the automated online investment firms are pioneering.

The Broker Protocol essentially says, "I won't slap a temporary restraining order on the brokers you recruit from us if you won't take legal action against the ones we recruit from you."

PROCEED WITH CAUTION

Simple, right? So I asked Brian Hamburger, CEO of law firm MarketCounsel in Englewood, New Jersey, for some tips on exiting the brokerage world and recruiting brokers. MarketCounsel has become the leading law firm for ensuring recruiting stays on the right side of the legal issues.

When a broker reaches out to an independent firm, the first step is to assess whether this person intends to start a new firm or "tuck into" an existing advisory, Hamburger says.

If the brokerage rep would prefer to have someone else handle the business details, MarketCounsel will reach out to its recruiting contacts — including the institutional custodians who have compiled lists of firms looking for advisers with client-facing experience, and who've built in-house transition counseling.

The idea, Hamburger says, is to get the rep connected with a firm before starting the exit process. This helps create a legal engagement that protects both the firm and the transitioning broker.

Then the lawyers dive deep into some very thick weeds. Sharron Ash, MarketCounsel's chief litigation officer, will start the conversation with timeline issues.

"Are there circumstances that we're navigating?" she asks. "Is this a voluntary depar-

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ture? They may be coming up on the expiration of a nine-year deal that they signed, and now is the time for them to realize their dream of doing something different."

Hamburger says many brokers have signed a variety of agreements without reading the document, similar to the way you and I click on software agreements without having a clue what they obligate us to.

"They have employment agreements and signed agreements in connection with some type of retention bonus or some other type of financial performance incentive," Ash adds. "They may have signed some type of team agreement where they cooperate on certain accounts. They may have clicked through certain acknowledgements and certifications that correspond with their compliance manual."

Ash and her team will delve into those agreements. "The most common is new restrictions on their ability to solicit their clients," she says. "It could be a new version of their deferred compensation agreement, where they just click on the 'I agree' button. We look at whether the agreement is enforceable. Did they actually receive consideration, or did the company just say, unless you click on this, you're going to be fired?"

WHAT NOT TO DO

Then MarketCounsel lawyers plan a smooth, legal exit. This starts with the Broker Protocol. The key to the protocol is how the broker handles the exit and what information the departing broker can exit with.

"You cannot tell your clients you're about to leave and where you're going before you actually do leave the firm," Ash says. "The minute you even suggest that there could be a departure on the horizon, you're creating a hazard that could prompt a dispute."

She says that sometimes, even if you follow the Protocol, the firm will have access to legal obstacles. "What if you have shared accounts?" Ash says. "What if you've inherited accounts? What if you've purchased a retiring adviser's book? What if you have a revenue-share with a team member who is not going with you? What if you have a revenue-share with a specialized adviser in another part of the country? If you put on your protocol list clients who you are not supposed to solicit, you can have your ability to use the protocol challenged."

THE BILLBOARD SOLUTION

In those cases, Plan B would be to use public advertising or networking to let clients know that you left — and where to find you.

"We had some folks who could not use the protocol," Ash says. "So there was a billboard that clients were going to ride by every day, going not only to their old office, but the office where they were plunking down their new real estate. It was a perfect billboard to put up an ad, and they put their pictures on it."

Ash says that, in her experience, brokers aren't leaving for a higher payout. "When you ask them why they want to go independent," she says, "you're going to hear things like they're tired of the restrictions; they don't like the conflicts of interest; they no longer want to sell conflicted products or feel pressure to sell certain things."

Hamburger says the firms that have most successfully tucked in ex-brokers are able to tell a story that resonates with them, about the values of the organization, the benefits they provide to clients, their commitment to service and growth and technology and personal development.

I asked Hamburger what percentage of clients follow a departing broker to the new firm.

"Are we talking about the clients that the broker wants to take?" Hamburger asks. "Because we tell them that this transition is a great way to pare down their book to the people they really like working with."

OK, then: the percentage of clients the broker wants to take?

"More than 100%," Hamburger says. "In our experience, almost all the clients come over, because the relationship is with the broker, not the firm, these days. And all of a sudden, they bring out money they were hiding. And they say, 'We've been waiting for you to make a move like this, and now we feel an extra degree of trust.'" **FP**

"You cannot tell your clients you're about to leave and where you're going before you actually do leave the firm."

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

ELITE ADVISER

BOWEN

Embracing Uncertainty

Confusing messages from Washington have made some clients anxious. Here's what to do when major change is in the air, John J. Bowen Jr. says.

THE RESULT OF LAST YEAR'S PRESIDENTIAL ELECTION seems to have raised a seemingly endless number of questions for clients and their families. The issues in play range from health care law to the tax code to the impact of trade policy and regulations on corporate profits.

The good news is that this uncertainty can create a huge opportunity for you — if you take steps to walk your clients through this period of remarkable change. When you show you can keep them on track to achieve their most important goals, you position yourself to capture more assets and introductions to prospective clients and provide the advanced planning services beyond investment management that your wealthy clients value.

That doesn't mean you must have all the answers to your clients' questions. What it means is that you need to show you are aware of the uncertainty and working to help clients navigate developments as they arise.

Here are six actions for serving your clients well and capturing opportunities today.

1. ADOPT THE RIGHT MINDSET

It may seem easier to put everything on hold until there is greater certainty. None of us knows exactly what the tax, regulatory, health care and investment environments will look like a year from now. But you can still move ahead in serving your clients and growing your practice.

This is a good time to set clear, quantifiable business goals to help you gauge your progress and keep yourself accountable.

Spell out your goals in each of these areas for 12-month and three-year time frames:

- Assets under management
- Net new organic assets under management
- Number of clients
- Net new ideal clients
- Personal annual net income

2. TRUSTWORTHY INFORMATION

Stay current on developments while changes are in discussion so you are ready to answer client questions. Here are your three best sources:

- **Direct communications.** Members of Congress issue statements, hold news conferences and post their positions online.
- **News sources.** Although one could argue that there are no unbiased news sources, some are better than others. Select from the range of political persuasions, from liberal to conservative, to get a variety of perspectives and commentary.
- **Think tanks.** Nonpartisan think tanks frequently release detailed analyses of policy proposals, though each may have its own ideological leanings. These are generally available for free from their web sites, but also consider subscribing to those you feel are most valuable and informative.

Don't get bogged down by the sheer volume of information. Identify no more than 10 sources of information that you trust and then spend no more than 20 minutes a day in perusing those sources.

3. REACH OUT TO CLIENTS

Your clients are unsure of what changes will mean for their current planning strategies and, ultimately, for their most important financial goals. Don't wait for them to contact you. And don't wait until the new laws are settled. This client communication doesn't have to be complicated.

- Contact the clients and offer to answer any questions they might have about tax reform, health care laws or other important issues.
- Reassure clients that you are monitoring the potential changes and that you will make recommendations about needed adjustments to their planning strategies.
- Let them know you are watching for any risks and for new opportunities being created by new laws.

Also be upfront that there will be changes and that challenges usually accompany change, but that you want to keep a long-term focus on issues that impact their wealth.

4. LINE UP EXPERTISE

Advanced planning solutions are the wealth management services and products that can help your wealthy clients build and protect significant wealth. These offerings encompass such areas as strategic tax planning, estate planning and asset protection.

Because of their complexity, these advanced solutions — which may include trusts, private placement life insurance and other tools — nearly always require the expertise of specialists. This means you need relationships with specialists — especially tax professionals to help your clients take advantage of opportunities that may be created by changes to the tax code.

If you don't already have a network of advisers in place, consider building one. Alternately, you may be able to access advanced planning professionals through mastermind groups for financial professionals.

But do not attempt to acquire the expertise yourself. One person simply cannot attain the vast scope of technical knowledge across multiple products and services that are required. Your time will be far better spent on building your client relationships and improving your communication and outreach skills.

Video

When clients get jittery about volatility, their worries can create a big opportunity for advisers. Here are actions advisers should take right away.
http://bit.ly/2qZZhkg

5. MAXIMIZE THE RELATIONSHIP

Some of your more successful clients probably work with multiple advisers. When you stand out from the others with proactive leadership during this time of uncertainty, you can become their go-to adviser and position yourself to manage more of their assets and provide advanced solutions.

To execute an "asset capture" process, identify the asset transfer opportunities. You need to know which clients have assets you are not managing. You can gain this understanding during your initial discovery conversation with each client or through a rediscovery process.

Next, simply ask for the assets; this is something that most advisers are reluctant to do.

Ask to do a diagnostic review of the client's investment accounts to make sure all the parts of your portfolio are working optimally together.

After completing the review, deliver the results to the client. If it's appropriate, recommend the transfer of assets to your practice by showing how it would improve the probability that they would meet their goals.

6. GET INTRODUCTIONS

As with asset capture, times of uncertainty offer great opportunities for bringing in new clients via introductions from existing clients.

The most effective route for doing so is to offer to provide a free second-opinion service to people they care about. When you meet with their friends, family members or colleagues who want to be sure they are making smart decisions in the current environment, you will:

- Take them through a discovery process to get very clear on where they are now, where they want to go and what the gaps are.
- Evaluate whether their current advisers are taking good care of them. If they are being taken care of, you will recommend they stay with their current advisers.
- If not, you will evaluate whether you would be the right adviser for them — and point them toward better options than they currently have if you're not ideally suited to help them.

This is truly a time when client outreach and having the right resources at the ready can do wonders for your success. But the time to act is now. Once there is greater clarity on a number of issues, your efforts to guide clients will not seem quite as unique. FP

John J. Bowen Jr., a *Financial Planning* columnist, is founder and CEO of CEG Worldwide, a global coaching, training, research and consulting firm for advisers in San Martin, California.

IN PRACTICE
FOSS

'Pathfinder Queen' Versus Robos

Recalling how she peddled an early financial planning tool, Kimberly Foss notes how much has changed — and how little — as technology advances.

AS I REFLECT BACK ON MY EARLY DAYS in the business, I think I was destined to work in a fiduciary environment.

I started in the San Francisco office of a major Wall Street firm and, like many of us who entered the industry during that period, I had to face the reality of smiling and dialing: getting prospects on the phone so I could pitch them the latest mutual fund, stock, bond fund or whatever else the firm was highlighting that week.

Something about that approach never made sense to me. Who was I — a kid barely out of college, who had never experienced the responsibility of managing a significant amount of assets — to be telling these people in their 50s, 60s and 70s the best way to invest their money? What did I know about these people, really? What basis did I have for advising them about something so important?

THE 'PATHFINDER QUEEN'

In those days, my firm had a financial profiling tool called the Pathfinder. For a fee of about $250, clients who gave me some detailed financial information received back from me a nice bound book with their personalized financial data, along with investment, savings and other recommendations.

Looking back, it was pretty primitive. We even had to input the data on our clunky Quotron terminals, then wait a week or two until the finished bound report came back from the home office.

But the most important thing that the Pathfinder did for me was to help me really get to understand my clients: their needs, goals, resources, risk tolerance and everything else.

I figured out that this was a way I could really, truly know my clients. And, by gathering all their data and presenting it to them in this format, I was adding real value to my relationship with them.

I started doing Pathfinders on every client I could persuade to pay the $250 fee. I became known around my office as "the Pathfinder Queen."

The company even ran a contest for Pathfinders, and I won a large-screen TV, which I thought was really cool. (This was when large-screen TVs were about the size and shape of a washing machine, and they weighed about the same.)

Without question, we live in a time of dizzying change, not only with regard to the changes themselves, but also — maybe mostly — with regard to the pace of change.

THE MORE THINGS CHANGE ...

Pathfinder, once cutting edge, has been relegated to the dusty archives of rudimentary financial technology. Other advances have come at an exponential rate, and this is nowhere more evident than in the financial markets. Those of us in the advisory business are facing a bewildering landscape at

Those of us in the advisory business are facing a bewildering landscape at the same time our clients are looking to us to help them find their way.

the same time our clients are looking to us to help them find their way.

Further, the regulatory environment seems to be in a more or less continual state of flux.

The latest example of this is the Trump administration's hold on the implementation of the Department of Labor's fiduciary rule. While many broker-dealers and others traditionally compensated by commissions have applauded the move, many of the largest firms are nevertheless going forward with plans to convert to fee-based services. They sense that more and more investors perceive commission-based compensation to be inherently tilted toward a conflict of interest for financial professionals.

Finally, the advent of robo advisers is being hailed as the democratization of advising. Touting the low fees and easy access featured by these algorithms for hire, many believe that assets under management by robo advisers will rise by an astounding 2,500% between 2015 and 2020, to about $489 billion.

So, in an environment of constant, accelerating change that is also characterized by investor scrutiny of advisers' motives — and compensation — how are advisory firms evolving to meet the new challenges? I believe the answer lies in two phrases: "Know your client" and "add value."

Do these sound familiar? They should; they've been around since at least the beginning of my career, back in the 1980s. Together, they drive us to reconsider the foundation of our fiduciary relationship with our clients — the relationship that, I believe, will ultimately allow us to continue to thrive.

THE MORE THEY STAY THE SAME …

As I reflect on my practice today, I realize that in many ways, it is based on the same principles as the old Pathfinder product.

At the core of my relationship with my clients is my need to know everything I can about their goals, dreams, fears, past experiences, financial resources, liabilities, risk tolerance, and investment strategy.

The principal way I can add value is by having such a good understanding of them that my planning services seem like an outgrowth of their own objectives for their lives.

Our industry has always gone through cycles — in many ways, it is built on them. In the 1990s, for example, many of us went away from financial planning toward a focus on money management. Those were the days, of course, when the tides were mostly rising; people were making money at a brisk rate, and they needed someone to tell them where to place it.

But then, the dot.com bubble burst, and much of that easy wealth went away. Not long after, the financial crisis and Great Recession wiped out even more capital. Eventually, people's interest in money management faded, replaced by a wish for guidance, for planning, for strategy. In other words, they needed advisers who knew them and who had the tools to help them get on track and stay the course.

I now believe that more firms need to ask themselves: "What kinds of tools, research and resources are we bringing to bear on our work with our clients? How are we adding value to the relationship now, and how can we add more value in the future?"

For some firms, part of the answer may very well lie in giving clients access to Nobel-Prize-winning algorithms — robo advisers — that can perform certain types of portfolio management and rebalancing tasks in a very cost-effective way. I would certainly never discount the ways that smart use of technology can add value to client relationships.

But in a downturn, or when the next financial cataclysm rocks the markets, our clients can't sit down over a cup of coffee with an algorithm. They can't walk into a robo adviser's office and receive the emotional reassurance, offered with an understanding of their unique situation, that they need to hold steady through the squall.

What they want and need is a relationship: one based on trust and understanding. That need is as old as humanity itself. And it isn't going away any time soon. **FP**

In an environment of accelerating change, how are advisory firms evolving to meet the new challenges? The answer lies in two phrases: "Know your client" and "add value."

Kimberly Foss, CFP, CPWA, is a *Financial Planning* columnist and the founder and president of Empyrion Wealth Management in Roseville, California, and New York. Follow her on Twitter at @KimberlyFossCFP.

Time to Invest in Millennials

The next generation is poised to make up about 44% of the American workforce. Advisers should prepare.

BY MADDY PERKINS

AS THE INDUSTRY UNDERGOES A MULTITRILLION dollar wealth transfer, it's time for planners to shift their focus toward the next generation.

Change will be here sooner than you might think, says TD Ameritrade Director of Financial Planning Nathan Harness at a panel on millennials at IMCA's recent annual conference. This generation, born between the early 1980s and early 2000s, is poised to make up approximately 44% of the American workplace, Harness says.

"If you think millennials aren't the economy ... this is our economy," affirms Harness, who is also an associate professor at Texas A&M University's financial planning program.

Generally, millennials are less trusting than previous generations. Only 19% believe that most people are trustworthy, according to Pew Research Center data cited by Harness. "However, millennials do trust their parents and friends when it comes to financial advice," Harness notes. While 41% of millennials trust their parents, only 14% trust advisers, according to UBS Investor Watch data.

How can advisers reel in these clients? Harness suggests they take inventory of current client bases to see if they can broaden their reach. "Who are your clients?" he asked the audience. "Mom and Dad."

Attract clients' children "by attaching your brand to something that excites them," he says. Revamp websites and social media presences so that younger clients, who are native technology users, have a better platform to engage with the planning process.

This can have far-reaching benefits. Over 80% of clients are willing to use technology-based media with their advisers, according to PriceMetrix data. Only 45% of advisers are willing. Allowing millennial clients to participate in the management of their finances is key. "The industry is shifting in focus from access to advice. The value-add will be in the advice, not the access," Harness says.

Just 9% of millennials entering the workforce aspire to work in financial services, Harness says, signaling a disconnect with how the industry appeals to the next generation of planners. It's important for advisers to get the word out on what the planning profession can offer young people, he says.

Bringing in new blood is crucial for advisers trying to pull together a succession plan. "There is tangible value to adding a young adviser to your team," Harness says. **FP**

Revamp social media presences so younger clients have better platforms to engage with the planning process.

Maddy Perkins is an assistant managing editor of SourceMedia's Investment Adviser Group. Follow her on Twitter at @maddykperkins.


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*As seen in WealthManagement.com's 2017 Independent Broker-Dealer Report Card, published April 6, 2017.

THE CASE FOR OPT

A clear path emerges after a historic revenue drop for the nation's top independent broker-dealers.

ILLUSTRATION BY ROBERT CARTER

IMISM

BY ANN MARSH

First, the bad news. Revenue for the country's 50 largest independent broker-dealers fell by a greater degree — 2.46% from the prior year — than the 1.38% hit it took at the end of the Great Recession.

That the decline came in a year with strong investment markets is even more striking. However, nestled in the data provided by IBDs and analyzed by *Financial Planning* for the 32nd annual *FP*50 is a nearly mirror-perfect cause for optimism. While overall revenue dropped for 75% of the top firms, fee revenue rose for even more of them — 80%.

"It's truly a structural shift that has occurred," says Robert Moore, CEO of Cetera Financial Group, the largest network of IBDs, with seven firms that collectively manage more than $1.6 trillion for clients (six are big enough to qualify for the *FP*50).

Digging into the numbers reveals an important shift is underway, with far-reaching consequences. If current trends continue, the IBDs that are poised to do best in years to come will increasingly resemble their RIA competitors by ratcheting up their evolution away from commissions and toward fees. There are several reasons.

For one, the regulatory hammer that finally dropped on IBDs last year with the Department of Labor's fiduciary rule — which looks unlikely to go away — is largely predicated on the idea that commissions present far greater conflicts of interests between advisers and their clients than do fees.

For these and other reasons, the revenue mix "has been shifting toward advisory for the past five-plus years," Moore says.

Take a look at the commission data for 2016 to see by just how much. Commission revenue fell for all but six of the top firms and, for many, by well in excess of 10%.

'THE END OF EASY MONEY'

"It's the beginning of the end of easy money," predicts Craig Israelsen, a professor of financial planning at Utah Valley University and *Financial Planning* contributing writer who's analyzed the *FP*50 rankings for nearly 20 years.

Advisers and firms will find it increasingly difficult to sell products for steep commissions that are often obscured from client view, Israelsen thinks, while producing income trails that continue for years.

In the future, "you are going to have to work for it, boys and girls," he warns. Translation: Holistic financial advice will increasingly supplant product sales masquerading under that name. The quality of that advice may vary, given that many IBD advisers receive more training in sales than they do in planning.

Amy Webber, CEO of No. 8 firm Cambridge Investment Research, calls the change "inevitable."

"We have rebranded ourselves as a financial solutions firm, as opposed to a BD," she says. "It's very hard to market if you lead as a broker-dealer."

Moore lays the blame on IBDs themselves for doing a poor job delivering "client-centric" service.

"What is lacking is the amount of energy being dedicated to the actual client experience," says Moore, who's been vocal about wanting to see Cetera transform the way it delivers financial advice to clients.

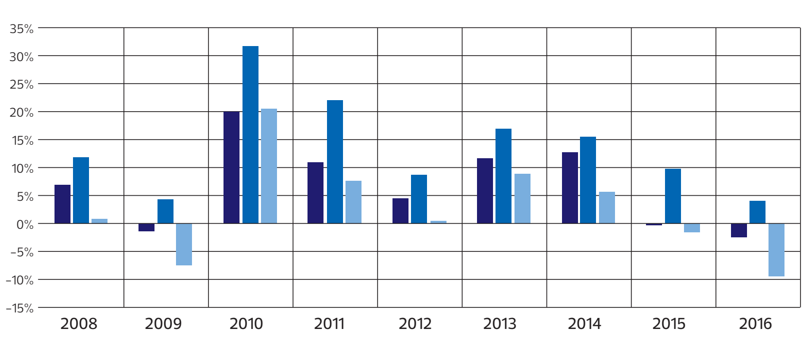
But, for now, he adds, "We are not forging a pathway for them to feel that much better about their relationship to us collectively."

Indeed, the numbers seem to buttress that assessment, given that all top IBDs continue to rely heavily on commission products sales.

HOLISTIC FINANCIAL ADVICE WILL INCREASINGLY SUPPLANT PRODUCT SALES MASQUERADING UNDER THAT NAME.

*FP*50: Percentage Changes in Revenue, 2008–2016

Changes in total revenue, fee revenue and commission revenue



REVENUE PRESSURES

Nearly a quarter of No. 1 LPL Financial's $3.98 billion in revenue in 2016, for example, came from annuity sales — not a metric likely to be found at an RIA.

And the firm's overall commission revenue, at $1.68 billion, substantially outweighs its $1.29 billion in revenue from fees.

Nationwide, concern over conflicts of interest has fueled a political push to reduce the temptations of commission sales.

In 2015, the White House reported that Americans lose about $17 billion annually in their retirement accounts to conflicted advice.

That was followed last year by the Labor Department's fiduciary rule, which is intended to compel advisers to put their clients' financial interests before their own when advising on those accounts.

A TOO-LATE MOVE

The Trump administration's decision to delay the rule's implementation came too late for many IBDs since they had spent millions to restructure their businesses to comply.

These expenses, combined with the precipitous decline in the sale of many high-commission alternative investments due to the regulatory pressures, factored into the revenue declines.

The sale of nontraded REITs, for example, which used to reliably generate upfront commissions of about 12% or more for many advisers and firms, dropped 75% to just $4.5 billion last year, from $19.6 billion in 2013, according to the investment

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Rated Against 312 World Bond Funds

★★★★
AB Concentrated Growth Fund (WPSGX)
Rated Against 1,306 Large Growth Funds

★★★★
AB High Income Municipal Portfolio (ABTYX)
Rated Against 145 High Yield Muni Funds

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AB High Income Fund (AGDYX)
Rated Against 596 High Yield Bond Funds

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AB Intermediate Diversified Municipal Portfolio was rated 5 stars among 181, 153 and 96 funds in the category for the three-, five- and 10-year periods, respectively.

AB High Income Municipal Portfolio was rated 4 stars against 145 and 118 funds in the category, for the three- and five-year periods respectively.

AB National Portfolio was rated 5 stars against 256, 224 and 150 funds in the category for the three-, five- and 10-year periods, respectively.

AB Global Bond Fund was rated 5, 4 and 4 stars against 312, 247 and 128 funds in the category for the three-, five- and 10-year periods, respectively.

AB High Income Fund was rated 5 stars against 596 and 471 funds in the category, for the three- and five-year periods, respectively.

AB Income Fund was rated 5 stars against 851, 750 and 538 funds in the category for the three-, five- and 10-year periods, respectively.

AB Concentrated Growth Fund was rated 3 and 4 stars against 1,306, 1,154 and 800 funds in the category for the three-, five- and 10-year periods, respectively.

AB Large Cap Growth Fund was rated 5 stars against 1,306, 1,154 and 800 funds in the category for the three-, five- and 10-year periods, respectively.

AB Emerging Markets Multi-Asset Portfolio was rated 5 and 4 stars against 629 and 429 funds in the category for the three-year period, respectively.

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Historically, the IBD channel has been the all-but-exclusive distributor of these products.

Other factors behind the revenue slide cited by IBD leaders include the continued rise of automatic-trading solutions, or robo advice tools, that charge investors bottom-of-the-barrel commissions.

AMERIPRISE RISES

Early signs of decumulation, the long-anticipated wave of baby boomers withdrawing assets in retirement and passing them on to heirs as they die, also may be playing a role.

Around 10,000 boomers are reaching retirement age every day, according to the Social Security Administration. Related to decumulation is the unknown amount of cash that some IBD leaders think boomers may have idling on the sidelines to avoid any market correction before they retire.

Forces like these may be having a disproportionate impact on LPL, the longtime industry leader, which has occupied the top spot on the FP50 for decades.

In what would be a historic change, the No. 2 firm, Ameriprise, in on track to displace LPL on next year's list, given that it's making a faster transition toward an RIA model based on its fee-commission revenue split.

At nearly $2 billion, Ameriprise's fee revenue is already 50% larger than its commission revenue, at $1.3 billion. As a result, its 3% jump in fee revenue last year offset a 5% drop in commission business, pulling overall revenue growth into the black, if barely, at 0.7%.

By contrast, LPL's fees fell by 4.3%, which only slightly lessened the blow of a 12.4% drop on its commission side.

LPL calls its fee drop somewhat misleading: As advisers move off of its corporate platform to become hybrids, the firm is not able to count their hybrid advisory fees as revenue. Instead, these fees fall under the "other revenue" category, LPL said. That increased 7.7% last year.

Cambridge Investment Research CEO Amy Webber says the firm no longer markets itself as a BD.

Overall, 15 firms on the *FP*50 posted declines in fee revenue.

Of the top 10 firms, Cetera Advisor Networks posted the only decline, aside from LPL's, at 7.9%, in a year when its parent company emerged from bankruptcy.

LPL Divisional President of Business Development Bill Morrissey says the top line doesn't tell the whole story for the market leader.

"I think we enjoyed a great year last year," Morrissey insists, despite "headwinds" impacting all firms. "It was a record year in many respects."

Indeed, LPL offset its losses by increasing its brokerage and advisory assets to $509 billion from $475 billion, upping profitability through cost-cutting and adding 323 net new advisers in its best recruiting year ever, he says.

However, the magnitude of declines across the *FP*50 — among the largest ever — surprised many IBD leaders interviewed for this story, as well as Aite Group analyst Bill Butterfield.

"It's hard to judge if this is the wave of the future or a bump along the road," Butterfield says.

Moore and others are optimistic, however, that the industry will deliver a better showing in next year's *FP*50, despite its lack of client-centric service.

"There is a bias toward improving revenue slightly because there are continuing to be more assets coming into the system more broadly," Moore says.

'NOT A BLIP'

"But," he adds, tempering his optimism, "it's not a blip in that we do not see a circumstance where alternative investments and variable annuities go back to the pre-2013 levels."

Other IBD executives hope clarity around the fiduciary rule could fuel a recovery.

Among them is Jeff Rosenthal, CEO of No. 29 Triad Advisors, one of five firms in the Ladenburg Thalmann network.

With clear regulatory direction, "I do think that this will be a blip and we will see some very successful and meaningful revenue gains over the next three to five years," Rosenthal says.

"Advisers have spent more time determining the path along which their business will go when the regulation is in place, and less time being an adviser. In other words, being in front of their clients," he says.

FIDUCIARY FACTOR

Wayne Bloom, CEO of No. 4-ranked Commonwealth Financial Network, agrees that the DoL foisted a huge distraction, both operationally and fiscally, on IBDs.

Commonwealth spent millions to come into fiduciary compliance, Bloom says. "That has not been money well spent. It's been money spent to comply with the lowest common denominator."

The firm has a strong standing to make this claim, given that its advisers bring in some of the highest revenue in the industry and mostly in fees.

The average Commonwealth adviser racks up $1.195 million annually, second only to Raymond James, with an average $1.224 million.

Commonwealth also is among the farthest along the conversion-to-fees continuum, with $277 million in commission revenue versus $645 million from fees.

A STRONG POSITION

That puts it in a strong position to weather the current downdraft in commissions. Its overall revenue rose 6% last year.

Bloom also points out that Commonwealth attracted an RIA firm, with zero brokerage business, to its platform for the first time last year. This is a move that could prove to be a bellwether as IBDs come to further resemble RIAs.

And it makes sense, Bloom says, especially given that "we're just a big RIA."

Few other *FP*50 firms, loyal to the range of investment choices they say the brokerage side of their business preserves for their clients, would make such a claim — although both Webber and Rosenthal say they think the IBD space is headed in that direction.

"I think what [Bloom] is describing is just going to increase," Webber says.

The pace at which any fiduciary rule is adopted will, to a certain extent, mandate how rapidly Cambridge will follow Commonwealth in this shift, she says.

"We could jump from 62% fees to 85% in nine months if the DoL goes through," Webber says, or, if it doesn't, she predicts it could take two to three years to get to 85%.

In late 2015, LPL was the first IBD to announce it had dropped prices to comply with the fiduciary rule.

In about a year, Morrissey expects that LPL will be launching a new platform called Mutual Fund Only in partnership with 20 of the top mutual fund companies.

'LEVELIZING' FEES

To conform with the DoL mandate that BDs levelize their fees in qualified retirement accounts, clients using the new platform will pay an upfront load up to a maximum of 3.5% with a 25 basis point trail, he says.

"Given the unique features of this platform, it is truly a first in the industry," Morrissey says.

If that's the case, then it's probably safe to say that Morrissey and other IBD leaders would be dismayed to hear how Professor Israelsen thinks his students would react to those prices.

"They would just bust up laughing, like, 'You must think we are absolute idiots,'" Israelsen says. "The idea of an adviser getting 100 basis points makes them puke."

All of his students believe that they should be paying no more than a few basis points to invest, he says, in line with the cost of a Vanguard fund or Schwab's dirt-cheap robo.

In response, an LPL spokesman says the students should look at LPL's adviser-enabled robo solution, Guided Wealth Portfolios, which has total fees of about 150 basis points.

This, of course, is still well above 100 basis points.

LACKING A FULL GRASP?

Cetera's Moore says the students may not fully grasp all that goes into full planning engagement, which can command a higher number.

"There is nothing comprehensive about a digital solution," Moore says. "Anyone making the quantum jump to, 'That's all anyone should pay for advice' — they have no idea what they are talking about."

On the other hand, Israelsen is well aware that LPL and Cetera's firms still collectively derive nearly half of their revenue from commissions — a metric not generally associated with top-quality holistic planning advice.

So maybe Israelsen's students are in on the joke after all. FP

"WE DO NOT SEE A CIRCUMSTANCE WHERE ALTERNATIVE INVESTMENTS AND VARIABLE ANNUITIES GO BACK TO THE PRE-2013 LEVELS," AITE GROUP'S BILL BUTTERFIELD SAYS.

DESPITE A 5.4% REVENUE DROP AND HEADWINDS AFFECTING ALL FIRMS, "I THINK WE ENJOYED A GREAT YEAR LAST YEAR," SAYS LPL'S BILL MORRISSEY.

Ann Marsh is a senior editor and the West Coast bureau chief of *Financial Planning*. Follow her on Twitter at @Ann_Marsh.

FP50

BIGGEST INDEPENDENT BROKER-DEALERS

TOTAL REVENUES

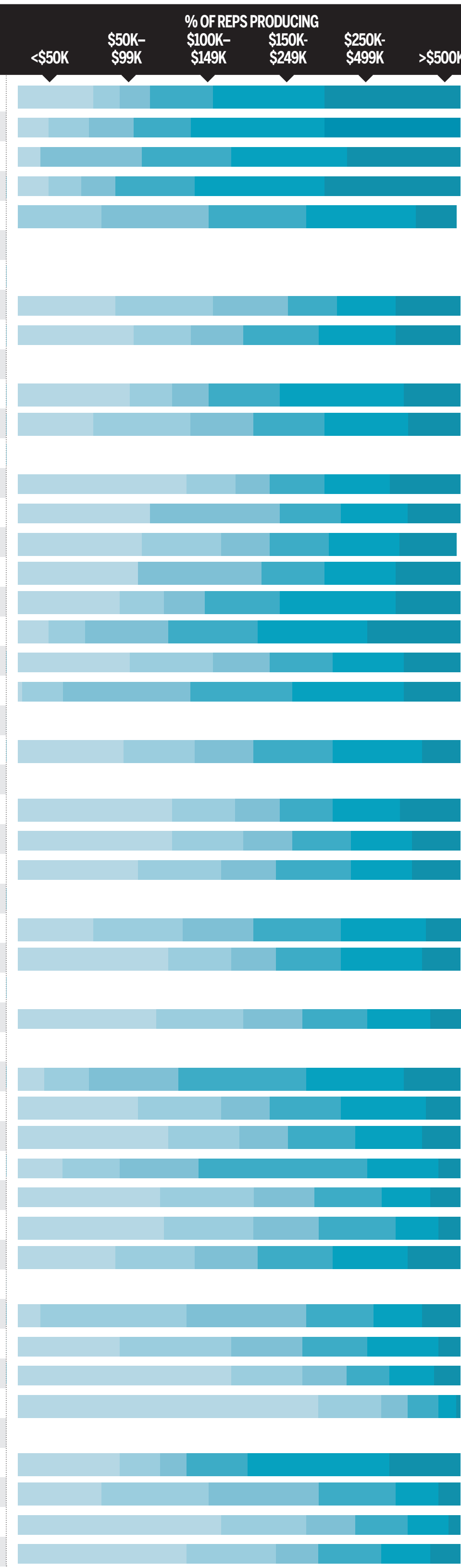
FP50 RANK 2016	2015	COMPANY	TOTAL REVENUES $000	% CHANGE	COMMISSION REVENUE $000	% CHANGE	FEE REVENUE $000	% CHANGE	OTHER REVENUE $000	% CHANGE
1	1	LPL Financial	3,977,426	(5.4)	1,681,757	(12.4)	1,285,309	(4.3)	1,010,360	7.7
2	2	Ameriprise Financial	3,944,982	0.7	1,331,330	(4.9)	1,998,023	3.1	615,629	6.0
3	3	Raymond James Financial Services	1,790,202	3.4	648,438	(4.2)	854,728	6.5	287,036	13.6
4	4	Commonwealth Financial Network	1,068,710	6.1	276,671	(3.4)	644,518	7.9	147,520	19.8
5	6	Northwestern Mutual Investment Services	842,937	4.8	270,296	(4.5)	498,398	13.4	74,242	(9.9)
6	5	Lincoln Financial Network	826,320	(3.3)	591,405	(6.0)	191,865	4.4	43,050	3.4
7	7	AXA Advisors	727,545	(2.6)	536,788	(4.5)	158,922	2.5	31,835	6.8
8	8	Cambridge Investment Research	711,467	1.9	241,061	(3.7)	388,319	5.9	82,087	1.1
9	10	Securities America	535,725	(2.9)	229,700	(8.3)	248,500	2.3	57,525	(1.7)
10	9	Cetera Advisor Networks	519,545	(7.1)	246,464	(13.6)	210,256	(7.9)	62,825	38.1
11	11	Waddell & Reed Financial Advisors	487,412	(7.4)	196,395	(13.5)	224,493	(0.5)	66,523	(9.5)
12	12	Royal Alliance Associates	466,839	1.2	185,766	(12.6)	231,549	9.8	49,524	31.6
13	13	Kestra Financial	423,079	(1.0)	180,620	(10.4)	197,755	10.3	44,704	(4.0)
14	15	Voya Financial Advisors	393,716	(3.1)	252,671	(8.6)	124,111	7.8	16,933	15.2
15	14	National Planning	376,824	(7.6)	229,148	(12.4)	120,566	3.8	27,110	(9.7)
16	16	MML Investors Services	367,556	(5.4)	239,953	(9.7)	96,664	6.2	30,939	(3.0)
17	21	Signator Investors	357,318	17.6	264,566	13.4	80,884	31.6	11,868	29.9
18	18	Securian Financial Services	325,642	3.3	188,600	(0.1)	100,814	7.9	36,200	10.1
19	17	HD Vest Investment Services	317,000	(0.9)	150,000	(3.8)	129,000	0.0	38,000	13.9
20	20	SagePoint Financial	307,558	(1.5)	169,957	(7.0)	102,785	4.8	34,816	10.6
21	23	Cetera Advisors	283,137	(4.9)	122,889	(15.2)	125,156	(0.3)	35,092	29.5
22	19	Principal Securities	279,326	(11.1)	223,908	(14.6)	55,418	6.7	3	(12.5)
23	24	FSC Securities	274,115	(3.3)	135,696	(10.8)	108,981	1.9	29,438	20.8
24	22	Cetera Financial Institutions	263,036	(12.4)	185,596	(16.6)	25,928	(29.2)	51,512	25.3
25	27	Woodbury Financial Services	253,943	(2.9)	174,979	(8.9)	53,631	11.1	25,333	20.3
26	28	Invest Financial	249,821	(4.4)	160,240	(7.6)	68,484	5.4	21,097	(8.0)
27	29	Lincoln Investment Planning	232,572	3.9	109,341	2.8	115,689	3.6	7,542	33.3
28	25	First Allied Securities	227,058	(17.9)	124,598	(28.1)	67,532	(8.4)	34,928	18.1
29	30	Triad Advisors	173,242	(5.8)	70,863	(16.2)	88,057	14.2	14,322	(36.0)
30	32	American Portfolios Financial Services	171,486	(2.7)	91,667	(6.9)	71,679	0.8	8,140	20.6
31	31	SII Investments	169,331	(4.5)	93,138	(11.9)	64,166	11.0	12,027	(13.3)
32	36	CUNA Brokerage Services	158,000	2.4	138,700	3.1	14,800	(0.7)	4,500	(6.3)
33	33	CUSO Financial Svcs. & Sorrento Pacific Financial	155,772	(3.8)	117,789	(7.1)	21,493	18.5	16,489	(3.6)
34	34	Cadaret Grant	149,498	(6.2)	104,589	(9.3)	41,211	(2.1)	3,698	85.4
35	35	M Holdings Securities	148,000	(5.4)	128,750	(7.3)	16,050	10.9	3,200	3.0
36	38	Centaurus Financial	144,455	2.9	109,887	0.3	34,568	12.2	0	n/a
37	47	Summit Brokerage Services	143,952	29.7	90,335	24.4	35,385	28.2	18,232	68.8
38	26	Transamerica Financial Advisors	133,322	(51.7)	90,691	(53.2)	32,965	(47.9)	9,666	(49.2)
39	37	Ameritas Investment	132,100	(9.6)	80,000	(13.6)	36,700	(12.0)	15,400	29.4
40	39	Cetera Financial Specialists	128,815	(2.6)	58,983	(9.2)	59,658	(0.6)	10,174	39.1
41	41	Independent Financial Group	122,878	(1.2)	70,903	(7.2)	41,956	10.3	10,019	0.1
42	44	Investment Centers of America	113,429	(5.6)	67,598	(13.4)	36,212	14.6	9,619	(9.1)
43	40	Securities Service Network	111,608	(10.9)	52,585	(8.2)	46,711	(18.6)	12,316	15.8
44	46	H. Beck	107,804	(8.3)	72,889	(13.0)	27,827	1.5	6,999	(1.3)
45	42	NEXT Financial Group	107,787	(12.7)	66,201	(14.7)	36,965	(9.7)	4,621	(6.5)
46	43	ProEquities	106,185	(11.9)	33,239	(34.0)	54,679	(1.8)	18,268	26.1
47	45	Geneos Wealth Management	104,459	(12.0)	42,162	(17.0)	58,216	4.7	4,081	(66.8)
48	48	Questar Capital	102,630	(2.9)	81,984	(4.4)	14,823	(3.5)	5,824	27.2
49	49	United Planners Financial Services	97,346	2.4	52,567	0.5	44,779	17.8	0	n/a
50	50	KMS Financial Services	96,423	4.1	41,960	(1.9)	47,973	3.4	6,520	87.4
		MEDIAN	$251,882	(3.19)	$137,198	(8.47)	$70,082	4.08	$18,250	7.70

PAYOUT GRIDS

COMPANY	MUTUAL FUNDS %	STOCKS %	BONDS %	ANNUITIES %	INSURANCE %	ALTERNATIVES %	REP MGD. %	FIRM MGD. %	OUTSIDE MGD. %
American Portfolios Financial Services	90	90	90	90	90	90	90	90	90
Ameriprise Financial	Up to 91	Up to 91	Up to 91	Up to 91	Up to 91	Up to 91	Up to 91	Up to 91	Up to 91
Ameritas Investment	50-92	50-92	50-92	50-92	50-92	50-92	50-92	50-92	50-92
AXA Advisors	53.75 - 82.5	53.75 - 82.5	53.75 - 82.5	55 - 90	55 - 90	53.75 - 82.5	53.75 - 82.5	53.75 - 82.5	53.75 - 82.5
Cadaret Grant	90	90	90	90	92	90	95	90	90
Cambridge Investment Research	Up to 94	Up to 94	Up to 94	Up to 94	Up to 100	Up to 94	Up to 94	Up to 94	Up to 94
Centaurus Financial	Up to 90	Up to 90	Up to 90	Up to 90	Up to 90	Up to 90	Up to 90	Up to 90	Up to 90
Cetera Advisor Networks	Up to 92	Up to 84	n/a	Up to 92	Up to 98	n/a	n/a	n/a	n/a
Cetera Advisors	Set by OSJ	Set by OSJ	n/a	Set by OSJ	Set by OSJ	n/a	n/a	n/a	n/a
Cetera Financial Institutions	Up to 92	Up to 90	n/a	Up to 95	Up to 95	n/a	n/a	n/a	n/a
Cetera Financial Specialists	Up to 90	Up to 90	n/a	Up to 90	Up to 90	n/a	n/a	n/a	n/a
Commonwealth Financial Network	Up to 95	Up to 95	Up to 95	Up to 95	Up to 100	Up to 95	Up to 100	Up to 100	Up to 100
CUNA Brokerage Services	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
CUSO Financial Svcs. & Sorrento Pacific Financial	90-94	70-90	70-90	90-94	90-94	90-94	90-94	90-94	90-94
First Allied Securities	Up to 95	Up to 95	n/a	Up to 95	Up to 100	n/a	n/a	n/a	n/a
FSC Securities	90-92	80-82	80-82	90-92	90	90-92	90-95	90-95	90-95
Geneos Wealth Management	88-93	75-85	75-85	85-93	85-95	85-93	88-95	88-95	88-95
H. Beck	80-93	80-93	80-93	80-93	Up to 100	80-93	80-93	80-93	95
HD Vest Investment Services	0-90	0-85	0-85	0-90	0-90	0-90	0-90	0-90	0-90
Independent Financial Group	90-95	80-95	80-95	90-95	90-95	90-95	90-95	90-95	90-95
Invest Financial	Avg 88	Avg 88	Avg 88	Avg 88	Avg 88	Avg 88	Avg 88	Avg 88	Avg 88
Investment Centers of America	Up to 85	Up to 85	Up to 85	Up to 85	Up to 85	Up to 85	Up to 85	Up to 85	Up to 85
Kestra Financial	65-95	65-95	65-95	65-95	65-95	65-95	65-95	65-95	65-95
KMS Financial Services	50-95	50-95	50-95	50-95	50-95	50-95	50-95	n/a	50-95
Lincoln Financial Network	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lincoln Investment Planning	Varies	Varies	Varies	Varies	Varies	Varies	Varies	Varies	Varies
LPL Financial	90-98	77-91	77-91	90-98	90-98	90-98	90-98	0	90-98
M Holdings Securities	95	95	95	95	97	95	95	95	95
MML Investors Services	40-82.5	40-82.5	40-82.5	40-82.5	40-82.5	40-82.5	40-82.5	40-82.5	40-82.5
National Planning	Up to 92	Up to 92	Up to 92	Up to 92	Up to 92	Up to 92	Up to 92	Up to 92	Up to 92
NEXT Financial Group	90 - 97	85 - 92	85 - 92	90 - 97	95 - 97	85 - 92	90 - 97	0	90 - 97
Northwestern Mutual Investment Services	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Principal Securities	45-85	45-85	45-85	45-85	45-85	45-85	45-85	0	45-85
ProEquities	Up to 92	Up to 92	Up to 92	Up to 92	Up to 92	Up to 92	Up to 92	Up to 92	Up to 92
Questar Capital	Up to 91	Up to 91	Up to 91	Up to 91	Up to 91	Up to 91	Up to 91	Up to 91	Up to 91
Raymond James Financial Services	Varies by plan	Varies by plan	Varies by plan	Varies by plan	Varies by plan	Varies by plan	Varies by plan	Varies by plan	Varies by plan
Royal Alliance Associates	90-94	70-85	70-85	90-94	95	90-94	90-97	90-97	90-97
SagePoint Financial	90-93	80-83	80-83	90-93	95	90-93	90-98	90-98	90-95
Securian Financial Services	Up to 95	Up to 95	Up to 95	Up to 95	Up to 93	Up to 95	Up to 95	Up to 95	Up to 95
Securities America	Up to 95	Up to 95	Up to 95	Up to 95	Up to 100	Up to 95	Up to 95	Up to 95	Up to 95
Securities Service Network	98	98	98	94	100	85	98	0	95
Signator Investors	74-93	74-93	74-93	74-93	74-93	74-93	74-93	74-93	74-93
SII Investments	Avg up to 92	Avg up to 92	Avg up to 92	Avg up to 92	Avg up to 92	Avg up to 92	Avg up to 92	Avg up to 92	Avg up to 92
Summit Brokerage Services	86-95	86-95	n/a	86-95	96-100	n/a	n/a	n/a	n/a
Transamerica Financial Advisors	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Triad Advisors	85-92	85-92	85-92	85-92	85-92	85-92	92-100	92-100	92-100
United Planners Financial Services	90-95	90-95	90-95	90-95	90-95	90-95	90-95	n/a	90-95
Voya Financial Advisors	Avg 86	Avg 86	Avg 86	Avg 86	Avg 86	Avg 86	Avg 86	Avg 86	Avg 86
Waddell & Reed Financial Advisors	Up to 84	Up to 84	Up to 84	Up to 84	Up to 84	Up to 84	Up to 84	Up to 84	Up to 84
Woodbury Financial Services	60-92.25	60-92.25	60-92.25	60-92.25	60-92.25	60-92.25	88-94	88-94	88-94

REPS & PRODUCTION

FP50 RANK 2016	FP50 RANK 2015	COMPANY	AVERAGE PAYOUT $000	AVERAGE PAYOUT % CHANGE	TOTAL PAYOUT $000	TOTAL PAYOUT % CHANGE
4	4	Commonwealth Financial Network	461	(1.1)	788,681	2.3
58	57	Prospera Financial Services	381	10.1	33,566	12.9
47	45	Geneos Wealth Management	344	(8.4)	89,028	(12.8)
3	3	Raymond James Financial Services	330	(4.4)	1,264,387	1.5
60	60	Founders Financial Securities	322	(4.3)	16,637	8.9
29	30	Triad Advisors	289	(4.3)	158,920	(1.7)
37	47	Summit Brokerage Services	286	19.1	n/a	n/a
43	40	Securities Service Network	264	(10.2)	93,448	(14.0)
31	31	SII Investments	262	(5.1)	140,845	(4.6)
35	35	M Holdings Securities	260	(12.8)	142,940	(5.6)
33	33	CUSO Financial Svcs. & Sorrento Pacific Financial	257	(5.4)	126,764	(2.1)
50	50	KMS Financial Services	254	1.0	81,756	1.3
28	25	First Allied Securities	252	(19.4)	n/a	n/a
13	13	Kestra Financial	248	2.1	327,054	(2.5)
15	14	National Planning	245	(5.4)	315,996	(8.4)
12	12	Royal Alliance Associates	245	1.1	382,971	(2.2)
8	8	Cambridge Investment Research	244	(3.2)	711,467	1.9
42	44	Investment Centers of America	239	(8.1)	84,799	(7.4)
36	38	Centaurus Financial	229	5.3	129,630	2.3
23	24	FSC Securities	227	(2.4)	215,907	(6.7)
49	49	United Planners Financial Services	226	(7.4)	95,394	9.6
27	29	Lincoln Investment Planning	225	(1.0)	161,537	0.6
30	32	American Portfolios Financial Services	224	(2.0)	151,118	25.4
56	59	Girard Securities	212	21.3	n/a	n/a
18	18	Securian Financial Services	209	(5.6)	253,892	2.6
9	10	Securities America	207	(4.5)	428,750	(4.3)
41	41	Independent Financial Group	201	(1.2)	101,567	(1.6)
52	51	Investacorp	200	(3.4)	67,000	0.4
25	27	Woodbury Financial Services	199	0.6	199,640	(6.1)
26	28	Invest Financial	193	(2.0)	202,964	(4.8)
21	23	Cetera Advisors	187	(13.9)	n/a	n/a
20	20	SagePoint Financial	185	(4.2)	238,604	(3.4)
10	9	Cetera Advisor Networks	184	(4.2)	n/a	n/a
51	52	J.W. Cole Financial	184	0.1	74,459	1.1
34	34	Cadaret Grant	180	(4.5)	123,248	(7.2)
1	1	LPL Financial	179	(12.1)	2,545,542	(9.7)
54	54	Kovack Securities	177	4.7	53,491	(3.1)
14	15	Voya Financial Advisors	159	(0.7)	318,614	(6.2)
48	48	Questar Capital	153	(2.8)	84,820	(3.4)
11	11	Waddell & Reed Financial Advisors	151	(3.4)	268,197	(5.5)
44	46	H. Beck	149	(3.8)	88,999	(8.3)
57	56	Investment Center	146	0.6	32,814	(3.4)
45	42	NEXT Financial Group	146	(5.5)	90,364	(13.2)
17	21	Signator Investors	137	(10.6)	263,620	19.8
22	19	Principal Securities	121	(3.2)	244,870	(7.3)
5	6	Northwestern Mutual Investment Services	119	5.4	605,405	4.7
32	36	CUNA Brokerage Services	116	(5.8)	28,073	(3.4)
59	58	Crown Capital Securities	115	(7.3)	37,935	(4.5)
7	7	AXA Advisors	113	(1.0)	535,080	(0.9)
53	53	PlanMember Securities	109	0.1	52,618	6.0



AVERAGE PRODUCTION OF TOP 20%	2016 QUOTA	2015 QUOTA	TOTAL REPS	% CHANGE	PRODUCING REPS	% CHANGE	REPS ADDED	REPS DROPPED	SERIES 6 REPS	SERIES 7 REPS	CFPs
1,195,083	200,000	200,000	2,074	5.2	1,710	3.4	175	73	126	1,948	728
985,152	300,000	300,000	136	7.1	136	7.1	16	7	0	136	12
1,059,608	200,000	200,000	290	5.5	259	(4.8)	12	21	8	275	105
1,224,062	300,000	300,000	5,661	8.4	3,827	6.2	318	89	0	0	916
510,479	50,000	50,000	75	7.1	75	7.1	5	0	0	0	n/a
808,805	250,000	n/a	805	1.4	600	(1.6)	42	32	0	0	n/a
n/a	n/a	n/a	528	0.0	551	21.9	150	51	0	0	n/a
869,514	75,000	n/a	431	n/a	354	(4.3)	43	51	160	279	116
773,423	n/a	n/a	556	(1.4)	537	0.4	0	0	0	0	n/a
1,021,780	n/a	n/a	856	(0.7)	558	(0.5)	0	0	0	0	78
633,693	n/a	n/a	508	6.5	508	6.5	0	0	0	0	n/a
855,185	n/a	n/a	401	(1.7)	322	0.3	30	40	97	310	100
n/a	n/a	n/a	814	3.0	742	7.2	13	26	0	0	n/a
910,007	100,000	100,000	1,712	(2.8)	1,321	(4.5)	81	143	480	906	283
752,032	n/a	n/a	1,326	(5.4)	1,291	(3.0)	0	0	0	0	n/a
845,834	n/a	n/a	1,795	(3.0)	1,566	(3.3)	0	0	0	0	n/a
594,917	n/a	n/a	3,738	7.0	3,005	6.5	428	312	492	2,464	763
737,843	n/a	n/a	401	0.8	355	0.9	0	0	0	0	n/a
604,900	50,000	50,000	635	1.1	630	1.3	62	55	55	580	240
756,520	n/a	n/a	1,170	(4.5)	952	(4.4)	0	0	0	0	n/a
580,000	75,000	75,000	536	13.8	430	10.5	76	11	87	412	102
719,484	40,000	40,000	1,231	8.6	786	0.1	92	80	522	709	265
654,077	75,000	75,000	811	0.4	675	1.2	79	76	171	640	94
n/a	n/a	n/a	287	(5.6)	200	(6.1)	13	26	0	0	n/a
751,738	n/a	n/a	1,214	8.6	1,214	8.6	182	146	0	842	219
738,714	150,000	150,000	2,209	6.3	2,209	6.3	0	0	402	1,807	646
923,200	125,000	125,000	588	(2.0)	508	0.0	86	98	105	536	88
490,000	n/a	n/a	546	(0.4)	473	2.8	0	0	0	0	n/a
552,527	50,000	50,000	1,147	(6.0)	1,004	(6.6)	0	0	0	0	n/a
592,828	n/a	n/a	1,278	(4.2)	1,054	(2.5)	0	0	0	0	n/a
n/a	n/a	n/a	1,525	15.5	1,361	15.3	336	155	0	0	n/a
550,586	n/a	n/a	1,439	(14.7)	1,287	0.9	0	0	0	0	n/a
n/a	n/a	n/a	2,693	(7.0)	2,288	(7.6)	121	308	0	0	n/a
724,489	100,000	100,000	475	0.8	405	1.0	29	25	76	404	64
564,288	150,000	125,000	830	(4.4)	683	(2.8)	54	92	252	586	125
751,243	n/a	0	14,377	2.3	14,377	2.3	0	0	1,050	13,327	n/a
537,000	50,000	50,000	405	(2.4)	370	(3.9)	0	0	92	285	68
515,036	n/a	n/a	2,724	0.2	2,001	(5.5)	171	299	0	0	303
779,100	50,000	n/a	651	(0.6)	651	(0.6)	89	93	218	401	n/a
646,890	75,000	75,000	1,906	(3.6)	1,780	(2.1)	384	421	0	0	271
n/a	n/a	n/a	736	(3.8)	596	(4.6)	0	0	0	0	n/a
424,052	100,000	100,000	265	1.1	238	1.7	28	29	0	0	n/a
454,719	50,000	50,000	619	(8.2)	619	(8.2)	21	87	122	578	64
447,034	n/a	n/a	1,553	7.8	2,152	49.4	1,032	320	0	1,265	521
229,011	12,000	12,000	2,068	(10.9)	1,875	(11.2)	332	462	0	0	n/a
n/a	n/a	n/a	3,690	40.4	5,072	(0.6)	0	0	0	0	n/a
656,876	n/a	n/a	575	20.8	575	20.8	39	32	0	0	n/a
342,374	50,000	50,000	357	3.5	336	4.7	23	11	61	279	78
359,694	n/a	n/a	4,765	0.5	4,375	0.0	0	0	0	0	427
517,850	35,000	35,000	483	5.9	483	5.9	74	47	271	212	49

TOP 10 LISTS

REVENUE GROWTH

FP50 RANK	COMPANY	TOTAL REV. $000	% GROWTH
37	Summit Brokerage Services	143,952	29.69
56	Girard Securities	49,668	18.75
17	Signator Investors	357,318	17.58
4	Commonwealth Financial Network	1,068,710	6.15
51	J.W. Cole Financial	91,433	5.97
53	PlanMember Securities	75,096	5.55
5	Northwestern Mutual Investment Services	842,937	4.76
50	KMS Financial Services	96,423	4.06
27	Lincoln Investment Planning	232,572	3.95
3	Raymond James Financial Services	1,790,202	3.36

PAYOUT GROWTH

FP50 RANK	COMPANY	AVERAGE PAYOUT $000	% GROWTH
56	Girard Securities	212	21.30
37	Summit Brokerage Services	286	19.12
46	ProEquities	103	17.16
16	MML Investors Services	75	10.91
58	Prospera Financial Services	381	10.08
5	Northwestern Mutual Investment Services	119	5.35
36	Centaurus Financial	229	5.29
54	Kovack Securities	177	4.68
13	Kestra Financial	248	2.11
12	Royal Alliance Associates	245	1.13

HIGH-END REPS (TOP 20% OF REPS)

FP50 RANK	COMPANY	AVERAGE PRODUCTION $	% REPS >$150K
3	Raymond James Financial Services	1,224,062	78
58	Prospera Financial Services	985,152	74
47	Geneos Wealth Management	1,059,608	72
4	Commonwealth Financial Network	1,195,083	70
36	Centaurus Financial	604,900	66
51	J.W. Cole Financial	724,489	64
32	CUNA Brokerage Services	656,876	62
49	United Planners Financial Services	580,000	61
54	Kovack Securities	537,000	59
42	Investment Centers of America	737,843	58

HIGH-END ACCOUNTS

FP50 RANK	COMPANY	TOTAL CLIENT ASSETS $000	% ACCTS. >$100K
54	Kovack Securities	8,264,950	47
16	MML Investors Services	73,100,000	42
30	American Portfolios Financial Services	21,738,094	39
34	Cadaret Grant	7,831,449	38
5	Northwestern Mutual Investment Services	68,912,189	34
4	Commonwealth Financial Network	114,420,000	29
58	Prospera Financial Services	1,548,098	28
1	LPL Financial	509,439,416	26
17	Signator Investors	48,000,045	14

FEE-BASED MIX

FP50 RANK	COMPANY	FEE REVENUE $000	% OF BUSINESS
60	Founders Financial Securities	15,977	69.0
53	PlanMember Securities	48,757	64.9
4	Commonwealth Financial Network	644,518	60.3
5	Northwestern Mutual Investment Services	498,398	59.1
47	Geneos Wealth Management	58,216	55.7
8	Cambridge Investment Research	388,319	54.6
46	ProEquities	54,679	51.5
29	Triad Advisors	88,057	50.8
2	Ameriprise Financial	1,998,023	50.6
50	KMS Financial Services	47,973	49.8

NET CAPITAL

FP50 RANK	COMPANY	NET CAPITAL $000	NET EXCESS CAPITAL $000
1	LPL Financial	116,178	109,825
11	Waddell & Reed Financial Advisors	52,639	52,389
12	Royal Alliance Associates	40,550	40,300
6	Lincoln Financial Network	32,918	32,600
3	Raymond James Financial Services	27,013	26,763
20	SagePoint Financial	26,250	26,000
14	Voya Financial Advisors	24,670	24,420
23	FSC Securities	22,650	22,400
4	Commonwealth Financial Network	21,643	14,135
25	Woodbury Financial Services	20,850	20,600

NETWORKS

COMPANY	ADVISOR GROUP	CETERA FINANCIAL GROUP	NATIONAL PLANNING HOLDINGS	LADENBURG THALMANN FINANCIAL SERVICES	LINCOLN FINANCIAL NETWORK
Headquarters	Phoenix, Arizona	El Segundo, California	El Segundo, California	Miami	Philadelphia
Website	advisorgroup.com	cetera.com	nationalplanningholdings.com	ladenburg.com	joinlfn.com
Chief Executive	Jamie Price	Robert Moore	Scott Romine	Richard Lampen	David S. Berkowitz
Parent Company	Advisor Group	Aretec (formerly RCS Capital)	Prudential	Ladenburg Thalmann Financial Services	Lincoln Financial Group
Broker-Dealers	Royal Alliance Associates SagePoint Financial FSC Securities Woodbury Financial Services	Cetera Advisor Networks First Allied Securities Cetera Advisors Cetera Financial Institutions Cetera Financial Specialists Summit Brokerage Services Girard Securities	National Planning Invest Financial SII Investments Investment Centers of America	Securities America Triad Advisors Investacorp KMS Financial Services Securities Service Network	Lincoln Financial Network
Total BD Revenue $	1,302,455,000	1,615,209,861	909,405,000	1,004,998,288	826,319,709
% Change	(1.2)	(6.0)	(5.9)	(3.6)	(3.3)
Total BD Net Capital $	110,300,000	n/a	n/a	37,031,870	32,918,000
Total BD Net Excess Capital $	109,300,000	n/a	n/a	17,566,860	32,600,000

REPS	ADVISOR GROUP	CETERA FINANCIAL GROUP	NATIONAL PLANNING HOLDINGS	LADENBURG THALMANN FINANCIAL SERVICES	LINCOLN FINANCIAL NETWORK
Total Reps **% Change**	5,551 (7.2)	8,930 (2.3)	3,561 (3.7)	4,392 14.7	8,885 4.2
Producing Reps **% Change**	4,809 (3.2)	8,012 (1.0)	3,237 (1.9)	3,958 3.1	8,885 4.2
Total Payout $ **% Change**	1,037,122,000 (4.2)	n/a	744,604,000 (6.6)	829,873,757 (4.2)	n/a
Average Rep Payout $ **% Change**	855,587 (1.1)	1,208,356 (1.2)	939,000 (5.3)	1,213,789 (4.5)	n/a

PRODUCT REVENUES	ADVISOR GROUP	CETERA FINANCIAL GROUP	NATIONAL PLANNING HOLDINGS	LADENBURG THALMANN FINANCIAL SERVICES	LINCOLN FINANCIAL NETWORK
Total Commissions $ **% Change**	666,398,000 (9.9)	857,963,886 (13.3)	550,124,000 (11.1)	452,501,938 (8.2)	591,405,133 (6.0)
Mutual Funds $ **% Change**	228,251,000 (5.3)	305,970,179 (5.5)	164,145,000 (2.9)	233,378,773 20.9	84,359,157 (9.6)
Securities $ **% Change**	20,305,000 (7.8)	71,926,077 (3.6)	17,649,000 (1.7)	24,086,212 2.3	3,450,575 (16.7)
Annuities $ **% Change**	360,659,000 (5.5)	395,060,126 (5.6)	335,053,000 (5.6)	106,836,097 31.2	216,269,420 (4.0)
Insurance $ **% Change**	32,748,000 (2.9)	43,799,574 (4.5)	11,564,000 (8.6)	12,413,159 172.7	275,155,006 1.4
Alternatives $ **% Change**	6,977,000 (35.3)	n/a	21,712,000 (66.1)	4,430,282 (58.6)	12,170,974 (65.5)
Total Fee Revenue $ **% Change**	496,946,000 7.0	539,348,214 (4.3)	289,428,000 7.0	451,924,677 1.4	191,864,576 4.4


Stability
Flexibility

SMALLER FIRMS

COMPANY	TOTAL REVENUES $000	TOTAL REVENUES % CHANGE	COMMISSION REVENUE $000	COMMISSION REVENUE % CHANGE	FEE REVENUE $000	FEE REVENUE % CHANGE	OTHER REVENUE $000	OTHER REVENUE % CHANGE
J.W. Cole Financial	91,433	6.0	67,042	2.0	24,391	18.8	0	n/a
Investacorp	88,000	(0.3)	57,394	(1.2)	20,684	(5.3)	9,700	15.5
PlanMember Securities	75,096	5.6	25,753	(0.1)	48,757	8.7	586	16.3
Kovack Securities	65,382	(2.6)	37,223	(13.9)	28,159	17.9	0	n/a
O.N. Equity Sales	56,670	(14.8)	48,153	(17.0)	8,467	0.6	50	(53.7)
Girard Securities	49,668	18.8	29,100	11.4	15,433	27.7	5,135	41.9
Investment Center	45,084	(2.1)	26,070	0.5	15,640	(7.4)	3,374	4.8
Prospera Financial Services	43,754	3.2	21,384	7.6	18,680	(8.3)	3,691	72.9
Crown Capital Securities	41,026	(2.3)	22,985	(20.5)	10,983	1.3	3,058	35.5
Founders Financial Securities	23,160	(1.5)	6,997	(9.0)	15,977	2.5	186	(22.4)

COMPANY	PRODUCING REPS TOTAL	PRODUCING REPS % CHANGE	TOTAL REPS	PAYOUT $000	AVG. PAYOUT TOTAL	AVG. PAYOUT % CHANGE	PRODUCTION $ AVG. TOP 20%	QUOTA
J.W. Cole Financial	405	1.0	475	74,459	183,848	0.1	724,489	100,000
Investacorp	473	2.8	546	67,000	200,000	(3.4)	490,000	0
PlanMember Securities	483	5.9	483	52,618	108,939	0.1	517,850	35,000
Kovack Securities	370	(3.9)	405	53,491	176,708	4.7	537,000	50,000
O.N. Equity Sales	647	0.6	858	49,705	76,824	(15.2)	219,962	20,000
Girard Securities	200	(6.1)	287	n/a	212,092	21.3	n/a	0
Investment Center	238	1.7	265	32,814	146,012	0.6	424,052	100,000
Prospera Financial Services	136	7.1	136	33,566	381,431	10.1	985,152	300,000
Crown Capital Securities	336	4.7	357	37,935	114,933	(7.3)	342,374	50,000
Founders Financial Securities	75	7.1	75	16,637	321,663	(4.3)	510,479	50,000

METHODOLOGY

The results of *Financial Planning's* 32nd annual survey of independent broker-dealers are based on data provided by 60 firms. Some firms we contacted did not respond to requests for information. *Financial Planning* relied on the firms to ensure the accuracy of the information.

FP works to verify data when possible. N/A means not applicable or not available.

The 2015 data does not always match last year's survey because some companies restated data submitted last year; as a result, some of the 2015 rankings are different. All figures reflect calendar year numbers.

Total revenues drive the FP50 charts. The Smaller Firms page highlights the 10 firms whose revenues fall below those of the FP50. Explanatory notes: Northwestern Mutual is the marketing name for Northwestern Mutual Life Insurance and its subsidiaries. CUSO Financial Services and Sorrento Pacific Financial Services operate as one service entity under a shared service agreement.

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

CLIENTS & ACCOUNTS

FP50 RANK 2016	2015	COMPANY	TOTAL ACCOUNT ASSETS $000	% CHANGE	ASSET BREAKOUT <$50K	$50–$99K	$100K–$249K	>$250K	ACTIVE ACCOUNTS TOTAL	% CHANGE	% QUALIFIED ACCTS.
1	1	LPL Financial	509,439,416	7.1					4,651,336	1.2	66
3	3	Raymond James Financial Services	242,886,000	16.5					1,546,528	6.5	43
7	7	AXA Advisors	119,818,000	8.3					3,935,013	(0.7)	n/a
4	4	Commonwealth Financial Network	114,420,000	12.8					915,700	3.6	55
13	13	Kestra Financial	75,604,901	7.4					445,772	(4.0)	n/a
10	9	Cetera Advisor Networks	73,268,339	3.3					860,919	(5.8)	n/a
16	16	MML Investors Services	73,100,000	3.4					818,713	(2.2)	64
5	6	Northwestern Mutual Investment Services	68,912,189	15.7					443,713	10.0	62
9	10	Securities America	66,000,000	14.2					1,039,000	9.9	62
12	12	Royal Alliance Associates	60,798,065	6.6					613,371	(0.9)	n/a
11	11	Waddell & Reed Financial Advisors	51,728,128	1.3					426,488	(5.0)	n/a
17	21	Signator Investors	48,000,045	81.1					2,502,121	n/a	54
14	15	Voya Financial Advisors	45,424,359	7.1					1,424,471	8.7	n/a
15	14	National Planning	44,664,613	3.0					566,025	0.3	n/a
20	20	SagePoint Financial	39,072,712	8.0					607,152	(0.2)	n/a
19	17	HD Vest Investment Services	39,000,000	5.4					n/a	n/a	n/a
21	23	Cetera Advisors	37,238,208	27.7					432,014	13.1	n/a
23	24	FSC Securities	35,732,590	3.2					391,443	(4.4)	n/a
26	28	Invest Financial	35,190,316	6.3					517,588	(4.7)	n/a
35	35	M Holdings Securities	34,042,891	0.3					62,164	11.0	n/a
24	22	Cetera Financial Institutions	33,447,195	1.2					524,684	1.0	n/a
25	27	Woodbury Financial Services	31,692,006	6.9					487,853	(1.1)	n/a
18	18	Securian Financial Services	30,891,000	7.3					311,192	3.4	n/a
28	25	First Allied Securities	28,366,634	0.9					299,000	(6.4)	n/a
29	30	Triad Advisors	25,771,171	8.4					n/a	n/a	n/a
27	29	Lincoln Investment Planning	25,692,000	8.3					242,061	3.5	70
6	5	Lincoln Financial Network	24,335,659	8.9					n/a	n/a	n/a
30	32	American Portfolios Financial Services	21,738,094	6.3					302,495	12.0	69
31	31	SII Investments	20,601,653	3.0					261,161	(0.5)	n/a
40	39	Cetera Financial Specialists	19,809,994	6.5					295,485	(2.3)	n/a
39	37	Ameritas Investment Corp	18,259,745	10.5					58,491	0.0	n/a
32	36	CUNA Brokerage Services	18,188,045	12.3					377,830	6.6	n/a
37	47	Summit Brokerage Services	17,608,436	44.3					90,279	53.0	n/a
41	41	Independent Financial Group	16,558,620	7.2					n/a	n/a	n/a
46	43	ProEquities	16,012,837	1.4					n/a	n/a	n/a
42	44	Investment Centers of America	15,911,930	8.9					233,875	(15.8)	n/a
45	42	NEXT Financial Group	14,358,318	(7.1)					217,905	(9.2)	n/a
43	40	Securities Service Network	13,423,668	(0.4)					154,044	n/a	n/a
52	51	Investacorp	13,400,000	4.7					n/a	n/a	n/a
49	49	United Planners Financial Services	12,907,206	26.4					147,745	26.0	n/a
48	48	Questar Capital	11,570,000	(3.0)					n/a	n/a	n/a
38	26	Transamerica Financial Advisors	11,167,029	n/a					n/a	n/a	n/a
22	19	Principal Securities	9,533,402	12.1					101,720	7.6	70
53	53	PlanMember Securities	9,300,000	28.2					184,096	4.5	n/a
55	55	O.N. Equity Sales	8,933,679	7.3					173,332	2.0	50
54	54	Kovack Securities	8,264,950	8.5					81,650	7.9	36
56	59	Girard Securities	8,032,000	3.3					133,968	(33.7)	n/a
34	34	Cadaret Grant	7,831,449	5.5					50,988	(1.6)	57
57	56	Investment Center	6,300,000	3.3					49,000	2.1	40
60	60	Founders Financial Securities	2,337,500	11.6					n/a	n/a	n/a

COMMISSION PRODUCT REVENUE

FP50 RANK 2016	2015	COMPANY	COMMISSION REV. $000	% CHANGE	MUTUAL FUND REV. $000	% CHANGE	SECURITIES REV. $000	% CHANGE	STOCK REV. $000	BOND REV. $000s	ETF REV. $000
1	1	LPL Financial	1,681,757	(12.4)	538,490	(8.9)	170,060	(9.8)	83,696	86,364	0
2	2	Ameriprise Financial	1,331,330	(4.9)	695,143	(2.5)	67,968	(3.6)	0	0	0
3	3	Raymond James Financial Services	648,438	(4.2)	331,691	(4.7)	91,136	(2.9)	69,198	21,938	0
6	5	Lincoln Financial Network	591,405	(6.0)	84,359	(9.6)	3,451	(16.7)	0	0	0
7	7	AXA Advisors	536,788	(4.5)	59,461	(5.5)	5,703	3.7	3,244	2,458	0
4	4	Commonwealth Financial Network	276,671	(3.4)	105,336	5.3	12,035	9.9	7,375	4,660	0
5	6	Northwestern Mutual Investment Services	270,296	(4.5)	147,672	(1.5)	n/a	n/a	2,930	178	1,066
17	21	Signator Investors	264,566	13.4	59,088	n/a	664	n/a	585	78	0
14	15	Voya Financial Advisors	252,671	(8.6)	73,076	(1.8)	5,397	(13.9)	4,699	537	160
10	9	Cetera Advisor Networks	246,464	(13.6)	113,211	(9.5)	7,722	(5.4)	0	0	0
8	8	Cambridge Investment Research	241,061	(3.7)	72,687	1.8	15,257	10.2	7,501	3,165	4,189
16	16	MML Investors Services	239,953	(9.7)	82,279	(7.7)	8,249	(6.1)	2,394	60	0
9	10	Securities America	229,700	(8.3)	170,175	(1.4)	11,675	(11.6)	9,730	1,800	0
15	14	National Planning	229,148	(12.4)	66,993	(2.1)	4,447	(10.8)	2,712	342	1,393
22	19	Principal Securities	223,908	(14.6)	147,820	(17.0)	2,380	4.4	2,261	119	0
11	11	Waddell & Reed Financial Advisors	196,395	(13.5)	133,370	(20.6)	5,136	35.4	2,925	229	633
18	18	Securian Financial Services	188,600	(0.1)	26,651	(1.0)	930	(0.2)	670	236	0
12	12	Royal Alliance Associates	185,766	(12.6)	73,658	(7.2)	5,847	(12.7)	4,940	907	0
24	22	Cetera Financial Institutions	185,596	(16.6)	47,776	(13.8)	20,087	2.2	0	0	0
13	13	Kestra Financial	180,620	(10.4)	44,440	(6.4)	6,623	13.8	2,098	2,269	1,432
25	27	Woodbury Financial Services	174,979	(8.9)	43,355	(0.4)	2,476	(4.5)	2,476	0	0
20	20	SagePoint Financial	169,957	(7.0)	61,805	(5.7)	7,107	(8.8)	5,793	1,314	0
26	28	Invest Financial	160,240	(7.6)	47,071	(5.9)	6,916	(1.5)	4,293	1,493	1,130
19	17	HD Vest Investment Services	150,000	(3.8)	79,000	(4.8)	8,000	14.3	6,000	330	0
32	36	CUNA Brokerage Services	138,700	3.1	17,200	(0.0)	1,970	(26.9)	800	115	0
23	24	FSC Securities	135,696	(10.8)	49,433	(6.1)	4,875	(1.2)	4,438	437	0
35	35	M Holdings Securities	128,750	(7.3)	5,800	(2.9)	721	1.6	469	17	0
28	25	First Allied Securities	124,598	(28.1)	32,386	(5.0)	16,027	(26.4)	0	0	0
21	23	Cetera Advisors	122,889	(15.2)	42,215	(1.3)	6,981	(6.8)	0	0	0
33	33	CUSO Financial Svcs. & Sorrento Pacific Financial	117,789	(7.1)	n/a	n/a	n/a	n/a	0	0	0
36	38	Centaurus Financial	109,887	0.3	14,231	(18.7)	7,663	116.7	1,095	4,379	2,189
27	29	Lincoln Investment Planning	109,341	2.8	54,424	1.0	724	5.2	460	90	38
34	34	Cadaret Grant	104,589	(9.3)	50,506	(8.8)	8,123	(6.0)	4,367	2,996	760
31	31	SII Investments	93,138	(11.9)	25,418	(1.7)	2,078	(4.9)	1,466	246	366
30	32	American Portfolios Financial Services	91,667	(6.9)	29,766	(8.7)	11,064	5.6	5,254	1,399	1,197
38	26	Transamerica Financial Advisors	90,691	(53.2)	22,953	n/a	874	n/a	415	194	0
37	47	Summit Brokerage Services	90,335	24.4	20,637	38.8	18,899	21.9	0	0	0
48	48	Questar Capital	81,984	(4.4)	12,183	(16.5)	3,750	30.2	2,773	978	0
39	37	Ameritas Investment	80,000	(13.6)	25,641	(4.4)	2,093	(17.6)	1,531	562	0
44	46	H. Beck	72,889	(13.0)	n/a	n/a	n/a	n/a	0	0	0
41	41	Independent Financial Group	70,903	(7.2)	15,644	(2.6)	4,586	60.3	3,136	1,171	235
29	30	Triad Advisors	70,863	(16.2)	n/a	n/a	n/a	n/a	0	0	0
42	44	Investment Centers of America	67,598	(13.4)	24,663	(0.6)	4,208	12.0	2,979	797	432
51	52	J.W. Cole Financial	67,042	2.0	18,168	6.5	1,466	12.9	613	564	289
45	42	NEXT Financial Group	66,201	(14.7)	21,634	(13.6)	6,436	(5.0)	4,678	1,759	0
40	39	Cetera Financial Specialists	58,983	(9.2)	40,953	(6.7)	1,106	(18.4)	0	0	0
52	51	Investacorp	57,394	(1.2)	17,500	(3.3)	7,700	(3.8)	0	0	0
43	40	Securities Service Network	52,585	(8.2)	22,465	n/a	2,869	n/a	2,386	88	372
49	49	United Planners Financial Services	52,567	0.5	12,655	2.4	4,867	28.0	1,950	1,950	973
55	55	O.N. Equity Sales	48,153	(17.0)	14,458	(2.4)	1,472	7.7	1,305	168	0

ANNUITIES REV. $000	ANNUITIES REV. % CHANGE	VARIABLE ANNUITIES REV. $000	FIXED ANNUITIES REV. $000	INSURANCE REV. $000	INSURANCE REV. % CHANGE	L-T CARE REV. $000	LIFE & DISABILITY REV. $000	ALTERNATIVES REVENUE $000	ALTERNATIVES REVENUE % CHANGE	HEDGE FUND REV. $000	REITs REV. $000	MANAGED FUTURES REV. $000
915,588	(6.5)	733,193	182,395	21,897	(22.1)	740	21,157	34,927	(73.8)	0	0	0
413,772	(4.8)	0	0	114,072	(0.3)	0	0	28,561	(50.4)	0	0	0
198,080	(0.6)	153,885	44,195	12,993	4.0	0	0	0	n/a	0	0	0
216,269	(4.0)	0	0	275,155	1.4	0	0	12,171	(65.5)	0	0	0
371,048	(1.4)	371,048	0	94,581	(8.9)	0	94,581	4,345	(61.2)	3	2,439	0
120,524	0.6	115,641	4,882	17,191	(0.3)	2,722	14,469	9,121	(0.1)	508	7,093	885
0	n/a	64,449	0	0	n/a	0	11,057	0	n/a	0	0	0
113,159	n/a	113,159	0	80,602	n/a	14,746	65,856	0	n/a	0	546	0
142,375	(8.6)	134,529	7,846	24,501	22.1	208	24,293	5,871	(67.6)	0	5,871	0
106,262	(7.1)	0	0	18,597	(15.2)	0	0	0	n/a	0	0	0
126,811	6.7	95,255	1,346	7,455	5.9	0	4,086	6,153	(61.3)	0	4,902	4,237
136,864	(10.4)	131,635	5,229	10,459	(13.6)	0	7,677	2,101	(28.5)	0	0	0
41,000	(17.5)	37,200	3,800	5,200	67.7	0	5,200	250	(94.1)	0	1,400	0
149,971	(8.4)	127,913	14,679	1,939	(46.3)	66	1,873	5,798	(72.2)	0	1,164	97
74,199	(9.0)	54,269	0	19,439	(4.2)	0	19,439	0	n/a	0	0	0
45,487	6.2	38,454	7,033	12,402	0.4	0	12,402	0	n/a	0	0	0
62,391	(1.1)	50,702	2,155	98,188	0.3	1,501	96,688	0	n/a	0	0	0
95,858	(8.4)	86,811	1,017	4,090	(39.4)	0	4,090	3,991	(47.7)	0	760	0
102,350	(7.8)	0	0	7,940	23.5	0	0	0	n/a	0	0	0
94,760	0.2	90,863	3,897	30,226	(23.4)	30,226	0	2,224	(95.3)	905	2,346	291
107,423	(5.7)	103,852	167	16,927	4.5	0	16,927	0	n/a	0	4,710	0
86,472	(0.7)	70,105	1,439	6,695	7.8	0	6,695	1,470	87.3	0	3,825	0
94,216	0.4	64,132	23,004	2,081	14.9	76	2,005	9,956	(51.9)	0	549	19
60,000	12.4	48,000	12,000	12,000	50.0	0	0	4,200	(26.3)	0	0	0
80,130	2.6	53,500	22,450	8,760	4.4	322	8,760	0	n/a	0	0	0
70,906	(6.9)	60,601	970	5,036	10.4	0	5,036	1,516	(36.1)	0	1,935	0
14,346	(2.4)	9,223	0	106,211	(9.2)	0	105,696	1,268	176.7	0	0	0
62,472	(13.4)	0	0	3,634	(28.7)	0	0	0	n/a	0	0	0
60,072	(7.0)	0	0	6,615	2.1	0	0	0	n/a	0	0	0
0	n/a	0	0	0	n/a	0	0	0	n/a	0	0	0
57,387	1.1	36,492	20,895	3,779	(2.0)	341	3,438	22,213	(2.7)	0	22,213	0
50,813	6.7	46,620	2,782	2,624	(11.2)	337	2,287	755	(39.5)	70	277	284
43,202	(8.8)	41,038	921	2,545	(8.5)	135	1,744	0	n/a	0	214	0
60,599	(4.8)	52,276	5,078	1,907	(2.9)	59	1,844	3,135	(73.9)	0	399	126
37,629	(6.3)	34,691	762	1,000	20.0	3	997	1,413	(53.6)	0	1,376	37
58,103	n/a	0	0	8,227	n/a	0	0	534	n/a	0	431	0
34,883	24.1	0	0	3,376	62.4	0	0	0	n/a	0	0	0
61,402	(0.1)	27,142	3,426	493	(63.2)	0	0	2,575	(53.1)	0	1,333	0
43,100	(13.6)	38,400	0	641	33.7	0	0	973	(13.5)	0	1,288	0
0	n/a	0	0	0	n/a	0	0	0	n/a	0	0	0
29,040	4.3	26,757	197	1,178	(19.7)	59	1,119	20,456	(27.3)	0	12,112	0
0	n/a	0	0	0	n/a	0	0	0	n/a	0	0	0
30,267	(10.1)	19,990	8,230	5,637	7.1	263	5,195	2,823	(73.2)	0	318	124
35,622	4.4	17,454	18,168	8,291	4.6	377	7,914	3,496	(34.6)	0	3,496	0
35,593	(14.5)	30,346	5,246	567	7.1	0	567	0	n/a	0	1,964	0
12,761	(12.6)	0	0	3,352	(8.0)	0	0	0	n/a	0	0	0
23,000	49.4	0	0	7,000	400.0	0	0	3,100	(51.6)	0	3,100	0
26,039	n/a	23,841	246	159	n/a	0	0	1,053	n/a	0	651	0
27,257	(1.1)	26,283	973	3,893	104.7	0	3,894	973	(2.5)	0	2,920	0
29,256	(12.7)	29,256	0	0	n/a	0	0	375	(70.7)	0	1,247	0

FEE–BASED REVENUE

FP50 RANK 2016	FP50 RANK 2015	COMPANY	FEE REV. $000	FEE REV. % CHANGE	$000s FEE REV. FROM REPS	$000s FEE REV. FROM FIRM	$000s FEE REV. FROM OUTSIDE	FEE REV. AS %	FEE-BASED AUM $000	% REPS ON PLATFORM
2	2	Ameriprise Financial	1,998,023	3.1	n/a	n/a	n/a	0.51	n/a	100
1	1	LPL Financial	1,285,309	(4.3)	1,245,435	n/a	39,874	0.32	211,609,370	71
3	3	Raymond James Financial Services	854,728	6.5	568,466	182,612	103,649	0.48	108,199,000	94
4	4	Commonwealth Financial Network	644,518	7.9	557,988	52,158	34,372	0.60	61,950,000	95
5	6	Northwestern Mutual Investment Services	498,398	13.4	282,279	213,346	2,772	0.59	51,511,926	n/a
8	8	Cambridge Investment Research	388,319	5.9	252,184	43,760	78,317	0.55	41,530,000	90
9	10	Securities America	248,500	2.3	125,200	n/a	119,500	0.46	26,300,000	92
12	12	Royal Alliance Associates	231,549	9.8	n/a	n/a	n/a	0.50	26,485,889	64
11	11	Waddell & Reed Financial Advisors	224,493	(0.5)	26,988	192,343	585	0.46	18,356,304	94
10	9	Cetera Advisor Networks	210,256	(7.9)	n/a	n/a	n/a	0.40	20,447,951	45
13	13	Kestra Financial	197,755	10.3	117,366	7,862	54,716	0.47	19,775,459	69
6	5	Lincoln Financial Network	191,865	4.4	n/a	n/a	n/a	0.23	19,186,458	n/a
7	7	AXA Advisors	158,922	2.5	n/a	n/a	157,151	0.22	18,577,000	n/a
19	17	HD Vest Investment Services	129,000	0.0	n/a	n/a	n/a	0.41	n/a	79
21	23	Cetera Advisors	125,156	(0.3)	n/a	n/a	n/a	0.44	12,544,389	39
14	15	Voya Financial Advisors	124,111	7.8	104,145	n/a	19,966	0.32	12,008,289	59
15	14	National Planning	120,566	3.8	54,474	n/a	65,878	0.32	11,981,043	79
27	29	Lincoln Investment Planning	115,689	3.6	36,024	60,365	18,653	0.50	11,274,400	87
23	24	FSC Securities	108,981	1.9	89,694	n/a	19,287	0.40	12,734,460	62
20	20	SagePoint Financial	102,785	4.8	92,014	n/a	10,771	0.33	10,793,675	54
18	18	Securian Financial Services	100,814	7.9	61,114	4,985	26,044	0.31	10,099,200	67
16	16	MML Investors Services	96,664	6.2	1,782	n/a	81,249	0.26	15,300,000	61
29	30	Triad Advisors	88,057	14.2	n/a	n/a	n/a	0.51	15,200,000	95
17	21	Signator Investors	80,884	31.6	n/a	n/a	n/a	0.23	7,961,875	60
30	32	American Portfolios Financial Services	71,679	0.8	55,819	413	15,795	0.42	6,837,719	33
26	28	Invest Financial	68,484	5.4	31,044	n/a	37,440	0.27	6,988,843	75
28	25	First Allied Securities	67,532	(8.4)	n/a	n/a	n/a	0.30	9,015,832	n/a
31	31	SII Investments	64,166	11.0	25,026	n/a	39,083	0.38	6,523,204	80
40	39	Cetera Financial Specialists	59,658	(0.6)	n/a	n/a	n/a	0.46	6,371,234	74
47	45	Geneos Wealth Management	58,216	4.7	n/a	n/a	n/a	0.56	n/a	n/a
22	19	Principal Securities	55,418	6.7	51,012	n/a	3,802	0.20	5,332,155	58
46	43	ProEquities	54,679	(1.8)	n/a	n/a	n/a	0.51	n/a	n/a
25	27	Woodbury Financial Services	53,631	11.1	34,314	n/a	19,317	0.21	6,477,679	59
53	53	PlanMember Securities	48,757	8.7	1,307	43,574	3,876	0.65	4,162,000	100
50	50	KMS Financial Services	47,973	3.4	38,433	n/a	7,159	0.50	5,772,000	n/a
43	40	Securities Service Network	46,711	(18.6)	n/a	n/a	n/a	0.42	n/a	85
49	49	United Planners Financial Services	44,779	17.8	22,724	n/a	13,346	0.46	5,288,958	91
41	41	Independent Financial Group	41,956	10.3	16,675	5,374	18,568	0.34	4,633,461	n/a
34	34	Cadaret Grant	41,211	(2.1)	32,214	242	8,755	0.28	3,866,639	74
45	42	NEXT Financial Group	36,965	(9.7)	17,226	n/a	19,716	0.34	3,606,461	86
39	37	Ameritas Investment	36,700	(12.0)	18,600	n/a	14,400	0.28	4,094,335	62
42	44	Investment Centers of America	36,212	14.6	25,043	n/a	11,169	0.32	4,110,815	88
37	47	Summit Brokerage Services	35,385	28.2	n/a	n/a	n/a	0.25	4,134,629	60
36	38	Centaurus Financial	34,568	12.2	13,482	n/a	21,087	0.24	n/a	70
38	26	Transamerica Financial Advisors	32,965	(47.9)	14,505	4,285	13,918	0.25	3,296,533	n/a
54	54	Kovack Securities	28,159	17.9	16,510	n/a	11,648	0.43	3,128,704	86
44	46	H. Beck	27,827	1.5	n/a	n/a	n/a	0.26	n/a	n/a
24	22	Cetera Financial Institutions	25,928	(29.2)	n/a	n/a	n/a	0.10	2,472,285	34
51	52	J.W. Cole Financial	24,391	18.8	12,469	n/a	11,049	0.27	n/a	39
33	33	CUSO Financial Svcs. & Sorrento Pacific Financial	21,493	18.5	n/a	n/a	n/a	0.14	n/a	n/a

FP50

BIGGEST INDEPENDENT BROKER-DEALERS

CORPORATE STAFF

FP50 RANK 2016	2015	COMPANY	FULL-TIME STAFF	LICENSED PROFESSIONALS	REGISTERED OFFICES	OFFICE OF SUPERVISORY JUR.	RECRUITERS	COMPLIANCE
1	1	LPL Financial	3,189	1,068	10,529	1,482	67	255
3	3	Raymond James Financial Services	3,044	n/a	n/a	1,572	16	200
4	4	Commonwealth Financial Network	803	2,074	1,303	146	9	71
7	7	AXA Advisors	718	n/a	n/a	42	n/a	n/a
8	8	Cambridge Investment Research	712	274	1,954	366	12	47
9	10	Securities America	587	325	1,592	90	12	102
11	11	Waddell & Reed Financial Advisors	537	440	422	47	5	57
24	22	Cetera Financial Institutions	316	n/a	n/a	n/a	n/a	n/a
14	15	Voya Financial Advisors	303	2,724	1,461	135	4	33
19	17	HD Vest Investment Services	302	150	1	1	13	51
27	29	Lincoln Investment Planning	302	1,231	288	51	2	44
10	9	Cetera Advisor Networks	285	n/a	n/a	n/a	n/a	n/a
17	21	Signator Investors	263	n/a	926	73	5	48
22	19	Principal Securities	243	n/a	747	86	8	48
13	13	Kestra Financial	241	151	656	1	n/a	56
12	12	Royal Alliance Associates	214	2,007	756	172	4	120
16	16	MML Investors Services	202	4,436	950	86	n/a	n/a
15	14	National Planning	196	n/a	n/a	239	n/a	n/a
20	20	SagePoint Financial	180	1,782	846	222	5	120
26	28	Invest Financial	172	n/a	n/a	78	n/a	n/a
25	27	Woodbury Financial Services	162	1,314	660	10	2	120
28	25	First Allied Securities	158	n/a	n/a	n/a	n/a	n/a
37	47	Summit Brokerage Services	158	n/a	n/a	n/a	n/a	n/a
21	23	Cetera Advisors	155	n/a	n/a	n/a	n/a	n/a
53	53	PlanMember Securities	152	63	312	24	3	8
18	18	Securian Financial Services	150	1,214	244	46	n/a	31
33	33	CUSO Financial Svcs. & Sorrento Pacific Financial	140	696	926	36	6	17
23	24	FSC Securities	137	1,351	620	128	4	120
45	42	NEXT Financial Group	123	705	495	123	4	24
39	37	Ameritas Investment	116	351	491	46	n/a	11
34	34	Cadaret Grant	110	38	471	138	1	15
40	39	Cetera Financial Specialists	98	n/a	n/a	n/a	n/a	n/a
42	44	Investment Centers of America	96	n/a	n/a	6	n/a	n/a
30	32	American Portfolios Financial Services	92	811	362	82	2	16
44	46	H. Beck	88	44	391	34	2	17
31	31	SII Investments	87	n/a	n/a	90	n/a	n/a
36	38	Centaurus Financial	85	635	391	215	3	18
29	30	Triad Advisors	77	805	n/a	58	4	n/a
52	51	Investacorp	75	546	360	1	2	10
54	54	Kovack Securities	68	57	390	20	1	16
41	41	Independent Financial Group	67	25	355	68	2	21
50	50	KMS Financial Services	64	33	285	1	1	25
43	40	Securities Service Network	59	29	270	42	3	11
51	52	J.W. Cole Financial	57	475	232	232	3	8
49	49	United Planners Financial Services	56	536	293	66	4	7
47	45	Geneos Wealth Management	54	280	250	45	2	13
58	57	Prospera Financial Services	50	189	91	3	3	9
55	55	O.N. Equity Sales	49	858	409	17	1	12
57	56	Investment Center	38	265	190	3	1	6
56	59	Girard Securities	36	n/a	n/a	n/a	n/a	n/a

SERVICES & FEES

COMPANY	AFFILIATION FEES $	ERRORS & OM. INSURANCE	STANDARD REP DEDUCTIBLE $	MAX. INDIVIDUAL COVERAGE	TICKET CHARGE $	B-SHARE LIMIT $	B-D EQUITY	FORGIV. LOANS	TRUST SVCS.
American Portfolios Financial Services	2,100	Third Party	10,000	$1M/$2M	Varies	No	Yes	Yes	No
Ameriprise Financial	0	Third Party	10,000	$2M/$5M	0		Yes	Yes	Yes
Ameritas Investment	0-3,000	Third Party	5,000	$2.5M	0-30	Yes	No	No	Yes
AXA Advisors	0	Third Party	0	0	4.50 - 26.50	Yes	No	No	Yes
Cadaret Grant	450	Third Party	5,000	$2M	15.65+	Yes	No	Yes	Yes
Cambridge Investment Research	0	Third Party	7,500	$3M	Negotiable	Yes	Yes	Yes	Yes
Centaurus Financial	0	Third Party	5,000	$1.5M	0-50	Yes	No	Yes	Yes
Cetera Advisor Networks	1,200	Third Party	10,000	$4M/$20M	0	Yes	Yes	Yes	Yes
Cetera Advisors	1,500	Third Party	10,000	$4M/$20M	0	Yes	No	Yes	Yes
Cetera Financial Institutions	360 -2,850	Third Party	10,000	$4M/$20M	0	Yes	No	Yes	Yes
Cetera Financial Specialists	3,675	Third Party	10,000	$4M/$20M	0	Yes	No	Yes	Yes
Commonwealth Financial Network	0	Third Party	10,000	$200,000	0-19.95	Yes	No	Yes	Yes
CUNA Brokerage Services	0	Self	500	$2M	0	Yes	No	No	Yes
CUSO Financial Svcs. & Sorrento Pacific Financial	0	Third Party	25,000	$1M	18	Yes	No	No	No
First Allied Securities	4,200	Third Party	10,000	$4M	0	Yes	No	Yes	Yes
FSC Securities	1,255	Third Party	0	0	0-30	Yes	No	Yes	Yes
Geneos Wealth Management	1,500	Third Party	10,000	$1M	15	Yes	Yes	Yes	Yes
H. Beck	5,520	Third Party	0	0	9-35	Yes	No	Yes	Yes
HD Vest Investment Services	0	Third Party	5,000	$500,000	0				
Independent Financial Group	1,920	Third Party	10,000	$2M	7-23	Yes	No	No	No
Invest Financial	0	0	0	0	0				
Investment Centers of America	0	0	0	0	0				
Kestra Financial	varies	Third Party	25,000	$2M/$15M	Varies	Yes	No	Yes	Yes
KMS Financial Services	0	Third Party	5,000	$5M	0	Yes	No	Yes	Yes
Lincoln Financial Network	0	0	0	0	0				
Lincoln Investment Planning	780	Third Party	5,000	$2M/$4M	Varies	Yes	Yes	No	No
LPL Financial	1200-2100 Instl/2100 Indiv	Third Party	10,000	$2M/$60M	0-50	Yes	Yes	Yes	Yes
M Holdings Securities	Varies	Third Party	0	0	10-35	Yes	Yes	No	Yes
MML Investors Services	No	Third Party	1,000	$2M	Varies	Yes	No	No	Yes
National Planning	0	0	0	0	0				
NEXT Financial Group	1,776	Third Party	5,000	$3M	0	Yes	Yes	Yes	No
Northwestern Mutual Investment Services	0	0	0	0	0	No	No	No	Yes
Principal Securities	0	Third Party	500	$5M	0-30	Yes	No	No	Yes
ProEquities	2,500	Third Party	2,500	$2M	0	No	No	Yes	No
Questar Capital	0-3,600	Third Party	10,000	0	0	No	No	Yes	No
Raymond James Financial Services	4,200 inc E&O	Third Party	5,000	$2M/$10M	Varies	Yes	No	No	Yes
Royal Alliance Associates	1,255	Third Party	0	0	0-30	Yes	No	Yes	Yes
SagePoint Financial	1,780	Third Party	0	0	0-30	Yes	No	Yes	Yes
Securian Financial Services	0	Third Party	5,000	$2M	n/a	Yes	No	No	Yes
Securities America	5,460	Third Party	5,000	$5M	0-35	Yes	No	Yes	Yes
Securities Service Network	4,200	Third Party	10,000	$25M	0	Yes	No	Yes	Yes
Signator Investors	2,100	Third Party	0	$5M	0	Yes	No	Yes	Yes
SII Investments	0	0	0	0	0				
Summit Brokerage Services	1,500	Third Party	10,000	$4M	0	Yes	No	Yes	Yes
Transamerica Financial Advisors	0	0	0	0	0	No	Yes	No	No
Triad Advisors	0	Third Party	0	0	0			Yes	Yes
United Planners Financial Services	2,988	Third Party	5,000	$6M	4.99 -21	Yes	Yes	Yes	No
Voya Financial Advisors	2,460	Third Party	10,000	$4M/$30M	0-45	Yes	No	Yes	No
Waddell & Reed Financial Advisors	0	Self	5,000	0	2-7		No	Yes	Yes
Woodbury Financial Services	0	Third Party	0	0	0-30	Yes	No	Yes	Yes

YES NO

Enforcement in the Trump Era

Some observers see SEC Chairman Jay Clayton's leadership taking a more business-friendly tack.

BY KENNETH CORBIN

AS A CANDIDATE, DONALD TRUMP'S BELLOWING campaign theme was built around disrupting the Washington establishment. As president, Trump has set the wheels in motion to reverse decades of regulatory continuity. While some longtime SEC watchers were prepared for a period of high uncertainty at the commission, many anticipate that the new chairman, Jay Clayton, will take the agency in a deregulatory direction, potentially easing some rules and enforcement actions and holding off on new ones.

"Every time we have a change in administration this comes up, but this is far more than a change in administration," says Bill Singer, a veteran securities attorney who runs the Broke and Broker blog.

"After 35 years on Wall Street after every election cycle, I've had some confidence in saying to investment advisory representatives and registered representatives that there will be some continuity in regulation," Singer says. "For the first time in my career I don't think that's an intelligent comment for me to make, because I think that there will not be any continuity."

ENFORCEMENT PATTERNS HAVE SHIFTED

Despite SEC uncertainty, so far this year, enforcement activity at the commission has been fairly brisk, particularly in the broker-dealer sector. According to an analysis by Cornerstone Research, total enforcement actions brought against broker-dealers in the first half of fiscal 2017 increased 20% over the same period in 2016. Actions against investment advisers and investment companies saw a more modest increase of 4%.

Actions against brokers and advisers or investment companies comprised the two largest enforcement categories, accounting for 47% of all the cases the commission brought in the first half of 2017, according to Cornerstone's analysis.

Cornerstone declined to discuss its research, but observers look at the firm's statistics on enforcement actions and

Many anticipate that the new SEC chairman, Jay Clayton, will take the agency in a deregulatory direction.

point to several potential scenarios, including one where regulators will try to remain vigilant in policing the brokerage sector.

"They'll continue to find lucrative hunting grounds for broker-dealers," says Brian Hamburger, CEO of MarketCounsel, a legal and compliance firm.

"Broker-dealers are under fire," he says. "What they're selling — let's be blunt about it; it's fallen out of favor."

Hamburger has seen a shift in how the SEC has handled enforcement over the last year or so. He says he has seen SEC enforcement staffers get involved earlier in the examination process — what he described as "pre-enforcement."

Where there was previously "a very clear line between examination or investigation and enforcement," Hamburger says, "we're seeing that line really blurred over the last several months."

Now, following an examination, it is common for an examiner to summon a firm's principals to an SEC office for a meeting attended by enforcement attorneys, creating a "slippery slope between examination and enforcement that we didn't used to have to deal with," he says.

A spokesman for the SEC declined to comment or make an official available for an interview.

ACTIONS HAD BEEN 'PERCOLATING'

Enforcement officials have been recently talking up their efforts to build cases against bad actors, however, and have even set up a formal initiative dubbed "investigate to litigate," through which enforcement attorneys are involved early in an investigation, working to compile court-admissible evidence.

The commission notes that the investigate-to-litigate program is solely an initiative of the Division of Enforcement and does not affect the routine examination process, which is handled by the Office of Compliance Inspections and Examinations.

OCIE, known as the eyes and ears of the commission, has been shuffling its internal resources, moving broker-dealer exam staff over to the RIA side as it has acknowledged that sector is growing both by number of advisers and assets under management, while the SEC's examination rate remains anemic.

"The assets are steadily going over to adviser side, so I think that's where you're going to see increasing enforcement activity," says Duane Thompson, a senior policy analyst at Fi360, a fiduciary training firm.

Viewed that way, the recent rise in enforcement actions against broker-dealers could be a lagging indicator, given that those cases have been in the works for some time.

"Obviously these are actions that have been percolating for a year or two in their investigation," Thompson says. "So I wouldn't be surprised to see more activity going over to the adviser side."

He cautions advisers to keep an eye on some of the issues that the SEC has identified as priorities for its examination and enforcement programs, including cybersecurity and data privacy, senior investors and retirement planning, and placing clients in the appropriate fund share classes.

"They are, it seems to me in the last few years, looking at share classes, so that means advisers, whether you're fee-only or not, you're a fiduciary, and it goes beyond just picking a suitable investment," Thompson says. "I've been following the SEC for 20 years, and I don't remember the same amount of attention paid to costs in the past that they do today."

'A VERY DRAMATIC CHANGE'

Of course, looking to the recent past as a guide for what the future might hold can be problematic in the context of a new administration that has put disruption and deregulation at the heart of its domestic agenda.

"I don't see Clayton as continuing the policies of his predecessor," Singer says .

"I have a feeling that we're going to see a very dramatic change," he says . "I think that the SEC is going to basically become a more business-friendly regulator."

At his confirmation hearing in March, Clayton gave little indication of how he might handle specific enforcement, though he did profess a "zero-tolerance" approach to enforcement and vowed to carry that message to the SEC.

STEADY DIET OF ACTIONS

Singer anticipates a steady diet of actions against RIAs who flagrantly violate their fiduciary duties ("the low-lifes, individuals who are taking money and not investing it and using it to buy cars and go to casinos"), but a generally more lax approach to enforcement, particularly when it comes to the big Wall Street players. "Instead of Merrill Lynch being investigated, it would be Smith and Jones," Singer suggested.

As for the recent pronouncements of senior staff regarding new enforcement priorities and initiatives like the investigate-to-litigate program, he cautioned that the new political leadership could very quickly snuff out those.

"I think that the SEC is sort of living in a fantasy world. I don't think they understand that the tsunami has not hit them yet," Singer says .

"Of course they're going to continue to enforce, but I would think that we're going to see a lot less edginess," he added. FP

"The assets are steadily going over to adviser side, so I think that's where you're going to see increasing enforcement activity," says Duane Thompson of Fi360.

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

Claiming Strategies for Divorcees

The pain of a failed marriage may be relieved for those eligible to collect ex-spouse Social Security benefits.

BY MICHAEL KITCES

ONE OF THE KEY BENEFITS OF SOCIAL SECURITY IS the spousal benefit — a payment at retirement that goes not to the worker who paid into Social Security over time, but to his or her spouse.

The payment was originally designed to provide retirement support for stay-at-home spouses in a single-income household, and it remains relevant for many spouses who take at least some time off from their work to raise a family.

However, the spousal benefit is not only available for currently married couples. Single people who were previously married may also be entitled, based on the ex-spouse's earnings record.

And for some divorcees, an even bigger opportunity exists to claim the ex-spouse's spousal benefit first and switch to the individual's own retirement benefits later.

Entitlement and Eligibility Rules

Spousal Benefits		
Benefit Amount: 50% of Worker's PIA		
Entitled		Eligible
Married	Divorced	
Worker must have filed for his/her own benefit Must have been married for at least 1 year Must still be currently married	Worker must be at least age 62 Must have been married for at least 10 years, currently unmarried, and divorced for at least 2 years	Full benefit at Full Retirement Age (FRA) Can start as early as age 62 (reduced by 8.33%/year, plus 5%/year beyond 3 years early) No delayed retirement credits past FRA

Source: Michael Kitces

ENTITLEMENT AND ELIGIBILITY

To claim a spousal benefit (which amounts to 50% of the working spouse's primary insurance amount), whether as a current spouse or a divorced spouse, the recipient must be both entitled and eligible for the benefit.

What do those seemingly similar terms mean in the context of spousal benefits?

For married couples, "entitlement" means the individuals must have been married for at least one year, must still be married and, most important, the worker spouse must have actually filed for his or her own benefits.

In other words, the spouse can receive a spousal benefit only when the primary worker is receiving his or her own individual retirement benefit as well.

In a divorce, entitlement rules for spousal benefits are slightly different.

For the divorcee to be able to file a claim, the marriage must have lasted for at least 10 years; the divorce must have been at least two years ago; the divorcee must be currently unmarried (although the ex-spouse may have remarried); and the worker ex-spouse must be at least age 62.

Notably, the worker spouse doesn't have to have actually filed — as is the case when the couple is married. Rather, the breadwinning ex-spouse merely must be at least age 62, such that he or she could have filed.

AGE ELIGIBILITY

To claim any spousal benefit, however, one must be age-eligible. To be eligible, the spouse or divorcee must be at least 62 to claim, though the benefit is reduced by 8.33% annually for the first three years if claimed early and 5% annually for each additional year if claimed that early.

To receive the full spousal benefit, the spouse or divorcee must be full retirement age. (What's more, there are special eligibility rules that apply if there is a disabled child or a child under 16 in the household.)

Here's an example: Mary and Jim were married for at least 10 years before divorcing. As a result, Mary will be entitled to a divorcee spousal benefit when Jim is at least age 62. However, Mary would not be eligible to claim that divorcee spousal benefit until she is also age 62. And Mary must wait until her full retirement age to get the full spousal benefit.

Notably, this means that, if Jim were several years younger, Mary might be stuck waiting until her mid-60s or later for Jim to reach age 62.

Similarly, if Mary were several years younger than Jim, she might become entitled to a divorcee spousal benefit once Jim turned 62, but she couldn't claim it (because she wouldn't be eligible) until she herself turned 62.

In any case, if Mary claims as early as age 62, her spousal benefits would be reduced by 30% for starting four years early. For Mary to receive her full monthly benefit, she must wait until she reaches her full retirement age. (Note in addition that there is no benefit of delayed retirement credits for waiting past full retirement age, in the case of spousal benefits.)

THE IMPACT OF REMARRIAGE

When it comes to an ex's spousal benefits, the whole point is that they're intended for an ex-spouse who is currently single, not for someone who is now married.

If you're a divorced person who has remarried, the law presumes you wouldn't need an ex-spouse's benefits because you could get a current spouse's benefits instead.

Consequently, a divorcee can have ex-spouse's spousal benefits only as long as he or she remains unmarried. If the divorcee gets remarried, the ex's spousal benefits will stop.

REMARRIAGE

Of course, the remarried divorcee may become re-entitled for spousal benefits based on the current spouse, but that depends on whether the newly married divorcee is actually entitled — and in particular, whether the new spouse is actually taking benefits himself or herself to render entitlement.

For instance, continuing the earlier example where Mary and Jim are divorced and their prior marriage lasted for at least 10 years, Mary will be entitled to a spousal benefit because she is currently unmarried.

If Mary marries Donald, though, she will simply be entitled to a spousal benefit from Donald in the future, but could no longer receive an ex-spouse's benefit from Jim.

On the other hand, even if Jim remarries, Mary will remain entitled to her ex-spouse's benefit — and Jim's new wife may be entitled to her own spousal benefit as well.

The fact that Mary does or does not claim a spousal benefit has no impact on timing or amount of spousal benefits for Jim's new wife, or vice versa.

Notably, in scenarios where there are multiple remarriages and multiple divorces, a divorcee may become eligible for multiple ex-spouse benefits as long as the marriage to each ex-spouse lasted for at least 10 years.

In such scenarios, the divorcee can receive benefits based on whichever ex-spouse gives the biggest benefit (but not all of them cumulatively).

CLAIMING STRATEGIES

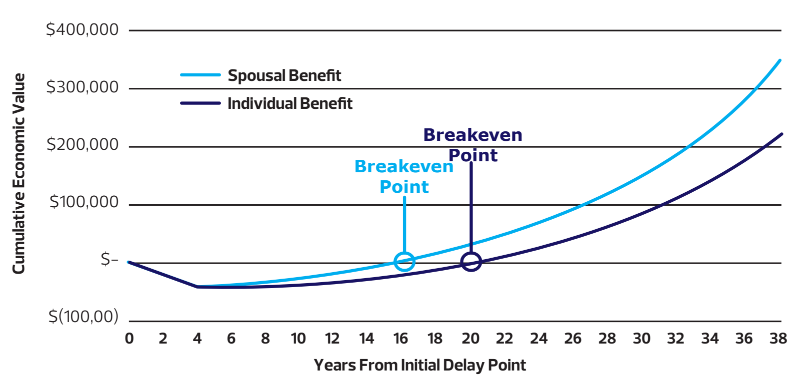
While a divorcee either will or will not be entitled to and eligible for spousal benefits, claiming strategies are still relevant because a divorcee must decide when to claim.

For divorcees entitled solely to ex-spouse spousal benefits — that is, never having worked enough to have individual retirement benefits as well — the only decision is whether to start as early as age 62 or wait until full retirement age.

The benefit of waiting is that the spousal payments will be larger; the bad news is that no payments are made during the waiting period, so the divorcee must live long enough

Social Security Break-Even Periods

The penalty for claiming Social Security benefits early is more severe for spousal benefits.



Assumptions: 3% inflation, 6% growth, delaying from age 62 to 66

Source: Michael Kitces

to make up for the years' worth of forgone payments with the higher checks that come with waiting.

Mary's monthly spousal benefit may be $1,000, but she can get the full $1,000 only if she waits until her full retirement age, 66. If Mary starts at 62, her monthly spousal benefit will be reduced by 30% to only $700.

A TOUGH DECISION

Accordingly, Mary must decide if it's preferable to get $700 now, or $1,000 starting in four years. She needs to recognize that, if she waits, she'll miss out on $33,600 in payments — plus a little more for ongoing cost-of-living adjustments.

This means she'll need to live long past age 66 just to make up the $33,600 shortfall by collecting an extra $300 per month, plus COLAs for each year thereafter.

This type of break-even analysis — how many years of larger payments must be received to make up for the early years when no benefits were paid — is necessary for anyone entitled to a Social Security benefit who has to choose the timing of when to begin, whether as an individual retirement benefit or a spousal benefit.

The good news, though, is that because the early benefits reduction is more severe for spousal benefits than for individual retirement benefits, delaying a spousal benefit to at least full retirement age is slightly more valuable for the divorcee, and the break-even period is shorter.

In essence, as long as the divorcee believes he or she can survive to break-even age, it's beneficial to delay an ex-spouse's spousal benefit.

To the extent that the divorcee lives materially longer, that inflation is higher or that market returns are lower, the decision to delay will look even better.

For those divorcees who also worked and are entitled to their own retirement benefit in addition to an ex-spouse's spousal benefit, there are more benefits available, but not necessarily more flexibility.

The reason is the so-called deemed filing rule, which stipulates that any time someone is eligible for both an individual and a spousal benefit, he or she is deemed to file for all available benefits. And as usual, any time an individual applies for multiple benefits, they don't get all the benefits cumulatively. Rather, they get whichever pays the highest amount.

So if the divorcee's own individual retirement benefit is higher than ex-spousal benefit, the latter is moot. At the point the divorcee is eligible for the spousal benefit, he or she will already be eligible for the higher retirement benefit, and the retirement benefit will subsequently overwrite the spousal benefit.

RESTRICTED APPLICATION

A special exception to coordinating benefits is available for those entitled to both retirement and spousal benefits, depending on the year in which they were born.

Called a Restricted Application for Spousal Benefits, or just Restricted Application for short, the technique was eliminated under the Bipartisan Budget Act of 2015, but grandfathered if the divorcee was born on Jan. 1, 1954, or earlier.

For those born on Jan. 2, 1954, or later, the restricted application rules are simply unavailable, having been eliminated by the rule change.

The Restricted Application rules allow a spouse, including a divorcee ex-spouse, to file for any spousal benefits to which he or she is entitled, but only spousal benefits and not individual retirement benefits.

This allows the divorcee to receive spousal benefit payments now, but still earn 8% annual Delayed Retirement Credits on the individual retirement benefits not received. In essence, the divorcee gets to enjoy all the benefits of delaying individual retirement payments to age 70 and get ex-spouse benefits along the way.

If born in 1953 or earlier, Mary, for example, might choose to file a Restricted Application to receive the spousal benefit from Jim.

As a result, she begins to receive her monthly checks immediately. At age 70, Mary's individual benefit will have earned 8% x 4 years = 32% in delayed retirement credits, and if that payment is now larger than her ex-spouse's spousal benefit, she can then switch at age 70 to her individual retirement benefit, and claim the new larger benefit (aided by the Delayed Retirement Credits).

The appeal of the Restricted Application strategy is that the divorcee can earn the entire 32% Delayed Retirement Credit on his or her retirement benefit, even as the spousal benefits are being paid along the way. In the example above, this can dramatically reduce the cost of waiting, resulting in a very short (and easy to outlive) break-even period.

In fact, even if the divorcee has a substantial personal retirement benefit, the Restricted Application strategy can still be appealing because it reduces the implicit cost of waiting to earn Delayed Retirement Credits.

Assume now that Mary had a full-time career, and a $2,000 monthly retirement benefit. Normally, this would make Mary's $1,000 monthly spousal benefit moot, as her $2,000 monthly retirement benefit is already larger.

However, Mary can still choose to file a Restricted Application at her full retirement age and begin to receive $1,000 per month from age 66 to 70. In the meantime, she will earn 32% in delayed retirement credits, boosting her retirement benefit to $2,640 per month.

WAITING UNTIL 70

Of course, Mary could have simply waited four more years until age 70 to boost her retirement benefit to $2,640 per month. But doing so would have effectively cost her $2,000/month x 4 years = $96,000. With the Restricted Application, Mary receives $1,000/month x 4 years = $48,000 of payments in the meantime. Consequently, Mary still gets 100% of the Delayed Retirement Credit benefit, but at only half the upfront out-of-pocket cost.

A key requirement, though, is that to file a Restricted Application, the divorcee must have reached full retirement age. If the divorcee files for benefits early, it will again be a deemed filing application for all benefits, and the opportunity is lost.

FILING FOR BENEFITS ONLINE

Divorcees can file for (ex-)spousal benefits either by visiting SSA.gov or a nearby Social Security office.

If filing online, the Social Security Administration will make a follow-up request for documentation to substantiate eligibility for the ex-spouse's spousal benefits, including a birth certificate to validate the divorcee's age, marriage license to validate the marriage and divorce decree to validate that the marriage met the 10-year requirement and that the divorce was valid and legal.

For divorcees who intend to do a Restricted Application, be certain to request only the spousal benefit and not individual retirement benefits as well. It's also advisable to note in the Remarks section of the online application that the intention is to file a "Restricted Application for [only] Spousal Benefits," and not individual retirement benefits. **FP**

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Insurance in a Fee-Only World

Life insurance and annuity sales are the elephant in the room when it comes to the fiduciary standard.

BY CAROLYN McCLANAHAN

A COMMON MISCONCEPTION HELD BY BROKER-dealers about fee-only advisers is they don't take care of their client's insurance needs because they don't sell insurance.

Many BD-based advisers are gearing up for the fiduciary standard by becoming fee-based — charging fees on the brokerage side and still selling insurance products. To me, this is a mistake. The advisers who will fare the best in the fiduciary landscape are those who give up sales of any kind.

LIFE INSURANCE AND ANNUITIES

Life insurance and annuity sales are the elephant in the room when it comes to the fiduciary standard. In my experience, a majority of egregious breaches of client trust have been around expensive insurance products positioned as investments without a full explanation of the fees and complexities involved in eventually accessing the funds.

Life insurance is an important component of a client's financial plan. Whether a client needs term or permanent life insurance depends on family needs, the desire to leave a legacy, estate planning issues and asset protection needs.

As planners, we help clients determine the amount and type of life insurance they need and then implement their decision by shopping for the appropriate product. Quotes are obtained from various agents and, most of the time, low-load products are the most appropriate.

With permanent insurance, we consult a fee-only insurance actuary to help design the product and make certain the client gets the best structure at the best price. This saves clients commissions they would have paid to brokers who may have not structured the product in their best interest.

Our work with annuities mostly involves getting clients out of costly products. We analyze the underlying investments, weigh the surrender charges and riders, and if appropriate, work with an agent to exchange the annuity for a product with no commissions, lower fees, no surrender charges and inexpensive investment options. Immediate fixed annuities and qualified annuity longevity contracts are used when appropriate.

VARIOUS INSURANCE NEEDS

As with other products, disability and long-term care insurance needs are analyzed at the start of a client engagement. If the client has a policy, we compare this with new coverage, including coverage available through specialty societies.

Through the years, we have cultivated a number of independent agents who provide objective advice on client's current policies, group coverage and alternative options.

Occasionally, clients will introduce us to an agent they use. Their agents usually appreciate our involvement. Since we have no financial incentive to have the client purchase insurance, if we recommend it, the client follows through with the purchase. The agent made a sale without having to sell and our clients gets the coverage they need.

If an agent isn't doing right by the client, we gently share our thoughts with both the agent and the client. Either the agent straightens up or the client ends the relationship.

Each year, we revisit coverage. If it needs changing or if new products are a better fit, we help clients adjust their policies. Clients appreciate our continued attention to their insurance needs.

We also review each client's car, home, business and umbrella coverage and discuss the coverage with their agent.

I maintain that planning should follow the medical model — a client has a primary care practitioner who understands their goals, the big picture and the nuances of their situation. This person can provide most of the client's needs. However, when a complex situation occurs, they should seek the help of specialists. FP

Carolyn McClanahan, a CFP and M.D., is a *Financial Planning* contributing writer and director of financial planning at Life Planning Partners in Jacksonville, Florida. Follow her on Twitter at @CarolynMcC.

How Firms Can Use Tech to Grow

Experts plus machines deliver better outcomes than experts or machines alone, Envestnet CEO Jud Bergman says.

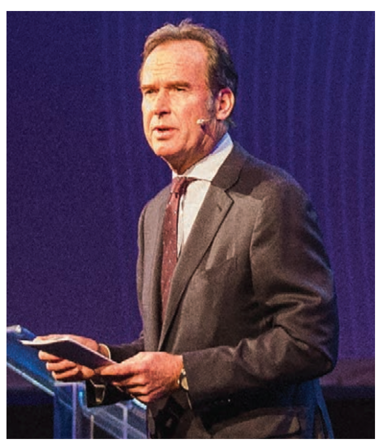
BY SULEMAN DIN

ADVISERS WHOSE PRACTICES ARE DEEPLY integrated with technology are more efficient, reaching more clients and earning more than those who are not, according to Envestnet CEO Jud Bergman.

Even so, it's not enough. While tech tools can help the adviser to manage a practice better, they can't be the sole solution for advice, says Bergman.

In an interview with *Financial Planning*, Bergman suggested ways that advisers can add technology to their practices, the impact of the Department of Labor fiduciary rule and the evolution of competition.

Excerpts follow.



New adviser technology represents "a quantitative enhancement," says Envestnet CEO Jud Bergman.

What advantage do advisers gain from using automated technology?

There is tremendous power in leveraging the calculations and raw power computers have.

There are simple activities that an adviser should not be doing on their own. One example is systematic rebalancing. We have the benefit of millions of investment accounts that advisers have entrusted to us, and being able to see performance over time from different practice patterns.

We measured the value of systematic rebalancing in 2007, 2008 and 2009, and for those accounts that were continuous accounts by the end of 2015.

We found that in most markets it adds between 40 and 50 basis points per year in value. It's also a risk mitigator, so the alpha has been created with lower volatility.

There are many considerations now — tech upgrades, regulatory demands, new competition. Is a practice challenged on multiple levels?

The practice most challenged now is the commission-based. In the post-DoL environment, the importance of technology and productivity leverage becomes mission critical.

How is it that a commission-based adviser or even a hybrid adviser can know their clients in a way that enables them to render best interest advice?

Take something that is just the simple process of understanding your client in the context of a financial plan.

Technology is just about to take the onboarding and know-your-client process from the period of weeks or months to just moments or hours. It is warp speed acceleration and a quantitative enhancement.

The adviser can use aggregation technology, personal financial management apps and rules-based financial planning that presents a picture of a client where all of their assets, liabilities and spending are presented in analytics.

Not only can the client can fully understand, but it enables the adviser to present appropriate strategies — portfolio construction, asset allocation — that leads with the goals, objectives and the risk tolerances of that client.

How has competition evolved over the last year?

I think there are some challenges that are posed by the DoL rule, but those advisers that successfully navigate those challenges over the next couple of years, and who make the right technology choices, I think are going to find that this is a very good business for many years to come. FP

Suleman Din is managing editor of SourceMedia's Investment Advisor Group. Follow him on Twitter at @sulemandn.

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Financial Planning **has won 2 Society of American Business Editors and Writers Awards – among the most prestigious awards in business journalism.**

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Use a Crockpot, Not a Microwave

How to convince your young clients that their long-term financial health depends much more on persistence than on being brilliant.

BY CRAIG L. ISRAELSEN

HELPFUL HINT: THIS ARTICLE IS INTENDED FOR YOU to share with your young clients to help them see the long-term financial picture for American workers. It could be titled "This Is Your Life," and it goes like this ...

You start working at age 25 making $35,000. (Hopefully, you will make more at the start, but that figure is not unrealistic for some 25-year-olds, so let's go with that for now.)

Your income increases 2.5% each year during your working career. When you retire around age 70, your final salary is roughly $103,000 a year.

During your 45-year working career, you will earn about $2.85 million – hopefully more.

If you saved 10% of your annual income during your 45-year working career and earned zero interest on your saving, you will have around $285,000.

But if you save 10% of your salary and experience a 6% average annual return in your investment portfolio, your account value at the start of retirement at age 70 will be approximately $1,072,671. This is a slow and steady "crockpot" approach.

LET TIME DO THE WORK

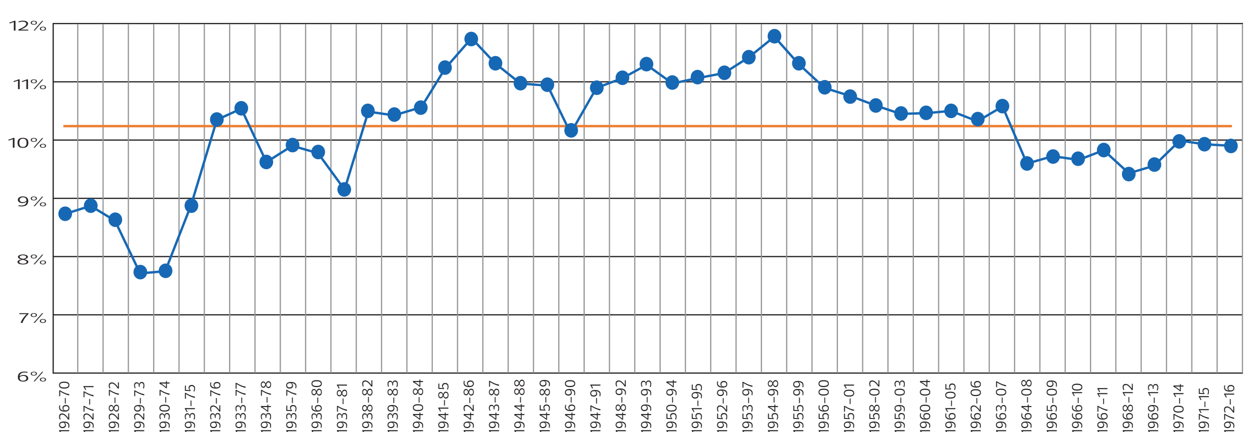
The idea is very simple. Preparing a meal in a crockpot takes advance planning. You need to start cooking hours in advance because the crockpot works slowly. But the effort is minimal. Toss the ingredients in the crockpot and then let time do the work.

Conversely, if you wait until the last minute, a microwave can be used to prepare a meal. But the outcome is hardly the same. A roast that does not fare well in a microwave is fabulous coming out of a crockpot after six hours.

Is this all too simple? Can you actually pull off this prosperous retirement despite having minimal investment expertise and without spending a lot of hours on your portfolio and forking over a lot of fees?

Well, the annual saving part is up to you, but getting a 6%

Rolling 45-Year Returns of Multi-Asset Portfolio



Source: Steele Mutual Fund Software, analysis by author annual return from a portfolio over the long haul is very likely.

Historically, a multi-asset portfolio consisting of 40% large-capitalization U.S. stocks, 25% small-cap U.S. stocks, 25% U.S. bonds and 10% U.S. cash has never experienced a 45-year annualized return of less than 7.7%.

Look at the chart "Rolling 45-Year Returns of Multi-Asset Portfolio." Each dot in the graph represents a 45-year period. The first blue dot represents the 45-year annualized return in 1926-1970; the second dot is the period 1927-1971; and so on.

The average 45-year annualized return of a multi-asset portfolio between 1926 and 2016 was 10.2% (as shown by the horizontal red line). There were even two 45-year periods where the annualized return was almost 12%.

If given adequate time (such as 45 years), a diversified portfolio will not be the weak link in this story. It all comes down to investor behavior — will you adequately contribute to the portfolio each year?

STARTING EARLY

What happens if you wait to start saving for retirement? That's not a good idea.

Let me give you an idea of what has to happen to hit your target of $1 million in a retirement portfolio at the age of 70. (See the chart "Crockpot Versus Microwave.")

Based on historical returns, if you wait until you are age 30 to start your retirement savings, you will need to earn a return of 7% each year in your diversified four-asset portfolio to hit $1 million. If you wait until age 35 to get started, you'll need an 8% annualized return. If you wait until age 40, you will need a 10% return.

If you start investing at age 45, the needed annual return goes to 13%. If you wait until age 50 to get started, you'll need an 18% annualized return to have $1 million by age 70. And if you wait until age 55, you'll need a 27% annualized return. Trust me, that won't happen.

In short, it is really hard to microwave your retirement savings account in a short time period later in life.

THE SAVINGS RATE

Or we can flip this analysis around and assume an 8% portfolio return and then calculate what the needed annual savings rate would have to be over the various time frames. (As a reminder, the average 45-year annualized return of our four-asset portfolio over the past 91 years was 10.2%, so an assumption of an 8% return is actually a conservative estimate.)

As shown on the right side of the chart, a $1 million retirement account balance is achieved at age 70 if you save 5.5% of your

Getting an annual return of 6% or 8% from a portfolio is very likely over the long haul — say, 45 years.

Crockpot Versus Microwave

Start your retirement savings at age ...	Needed annualized return over 45 years to have $1 million in a retirement account by age 70 (assuming an annual savings rate of 10%)	Start your retirement savings at age ...	Needed annual savings rate to have $1 million in a retirement account by age 70 (assuming a 45-year annualized portfolio return of 8%)
25	6%	25	5.5%
30	7%	30	7.5%
35	8%	35	10%
40	10%	40	14%
45	13%	45	20%
50	18%	50	30%
55	27%	55	45%

Note: Assuming a starting salary of $35,000 at age 25 and a 2.5% annual increase in salary.
Source: Author calculations

annual income each year starting at age 25 and if you achieve an average return of 8% in your portfolio.

(Of course, there's no reason to dip down to 5.5% if you can handle a 10% annual savings rate. If you did, in fact, save 10% each year and you achieved an 8% annualized return in your portfolio, you'd have over $1.8 million saved up by the age of 70).

If your portfolio earns 8% and you wait until age 30 to start saving, you will need to save 7.5% of annual income. Wait until 35, and the needed savings rate goes to 10%. Delay until 40 and you will need to save 14% of your income each year. If you start at age 45, plan on saving 20% of your annual income. At 50, you will need to save 30% of your annual income. At 55, you will have to save 45% of your annual salary to hit $1 million in your retirement account.

Now, all these figures are based on a starting salary of $35,000 at age 25 and a 2.5% annual increase in pay.

Your specific situation may be very different, but the core relationships remain the same. For example, let's say your starting salary is twice as much, $70,000, at age 25. In that case, your target account balance at age 70 might be $2 million.

The relationships in "Crockpot Versus Microwave" are unchanged. If you start saving 10% of your annual income at age 40, you will still need a portfolio return of 10% to hit your $2 million target at age 70. Or, if you assume a portfolio return of 8% and you start saving for retirement at age 40, you will need to save 14% of your income each year to achieve your $2 million goal.

We must acknowledge that an investor's annual savings rate may fluctuate over her lifetime. For instance, early in her career, the actual saving may start well below the annual savings goal of 10% to 15%, but then accelerate later.

Or a young worker may get off to a great start by saving 15% each year into a diversified portfolio, only to experience a disruption in employment for a period of time in which nothing is contributed to the retirement account. Later, after finding a new job, the savings pattern begins again.

At the risk of sounding like a coach giving a halftime speech, the key to any scenario is to do your best at every life stage.

A Road Map for Clients

The path may seem straightforward, but it's not easy to stay on. Advisers can help by walking clients through these steps:

- Start investing early in life.
- Set a goal to invest at least 10% each year, but start at whatever level you can.
- Invest in a broadly diversified portfolio — even more diversified than the four-element portfolio shown in this article. (Ideally, it should include U.S. stocks, non-U.S. stocks, real estate, commodities, U.S. bonds, non-U.S. bonds and cash.)
- Automate the savings process if possible.
- Stick to a saving plan for 40 to 45 years.
- Stay diversified in retirement.

DO YOUR BEST

At the risk of sounding like a coach giving a halftime speech, the key in any scenario is to do your best at every life stage.

If your best is saving 5% of your income, then you do that. If your best is saving 8%, then do that. A well-diversified portfolio will do its job over time, but you just have to do yours by giving it a sufficient amount of money to hit the desired target.

Preparing for retirement is more about persistence, and less about brilliance. Ideally, it's a crockpot commitment rather than a microwave mad dash at the end. FP

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

Can Certain ETFs Cut Client Risk?

Inflows into these low-volatility funds have soared. Here's what advisers should know about them.

BY BRYAN BORZYKOWSKI

MANY CLIENTS WANT INVESTMENTS THAT CAN STAY cool under pressure. So it's no surprise that low-volatility ETFs — funds that hold defensive, dividend-paying stocks to help mitigate market ups and downs — have seen strong inflows.

In the first five months of 2017, managed volatility ETFs have seen more than $1.68 billion in net inflows, according to Lipper Research. Almost half (46%) of advisers surveyed by FTSE Russell in its 2016 smart beta survey say they're employing low-volatility strategies, up from 39% in 2015.

Many advisers are putting too much emphasis on these ETFs, argues Kashif Ahmed, founder and president of American Private Wealth in Boston. "A lot of people are saying this is a one-ticket solution to reduce volatility, but that's not the case," he says. "They can be loaded up with utilities, which can be more volatile as interest rates continue to rise."

Low-volatility funds do reduce risk, but they don't outperform in the same way that owning a number of factor investments might, says Dave Haviland, a partner with Beaumont Financial Partners in Needham, Massachusetts.

Between November 2011 and March 2017, the S&P 500's standard deviation was 10.06, per Morningstar. Over that same time, the main low-volatility ETFs, iShares Edge MSCI Min Vol USA ETF (USMV) and PowerShares S&P 500 Low Volatility Portfolio (SPLV), had standard deviations of 8.37 and 9.02, respectively. During that period, the S&P 500 returned 14.87% while the ETFs slightly unperformed, with USMV returning 14.41% and SPLV returning 13.61%.

Flows into managed volatility ETFs

Flows from 2012 to 2017

Flows in ($)	Managed Volatility ETFs
2012	5,035,650,000
2013	6,551,540,000
2014	4,897,020,000
2015	11,782,060,000
2016	14,855,380,000
2017, as of May	1,684,970,000

Source: Lipper

Expenses are generally low. USMV, for one, has a 0.15% expense ratio, while SPLV's expense ratio is 0.25%.

It's not surprising to see these funds underperform, says Alex Bryan, Morningstar's director of passive strategies research. Usually, any strategy that protects a portfolio from losing money also prevents it from seeing overly strong returns, he says. However, according to MSCI, the low-volatility strategy did return 1.75% over the MSCI USA index between 2001 and 2015.

One danger of these ETFs is using them to stave off short-term market declines. These should be seen more as long-term investments, Haviland says.

The main reason an adviser should want to use low-volatility ETFs is to offer clients better risk-adjusted returns, Bryan says.

It is possible to employ low-volatility strategies without buying a fund, says Ahmed, who reduces risk by buying the same kinds of defensive stocks that are in these ETFs.

He stopped using low-volatility products after everyone else started buying them, due to worry that larger inflows and outflows would impact their own volatility.

But for advisers who don't want to spend time designing risk-reduction strategies, low-volatility funds can work. "The ETF takes the work away from the adviser," Bryan says. "It allows them to always own stocks that have a certain set of defensive characteristics." FP

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Bryan Borzykowski is a freelance financial writer and editor based in Toronto. He has written three personal finance books and appears regularly on Canada's CTV News. Follow him on Twitter at @bborzyko.

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FROM: CLAIMING STRATEGIES FOR DIVORCEES

1. The Restricted Application for Spousal Benefits is available to those born on or before this date.
1. Jan. 1, 1958
2. Jan. 1, 1954
3. Jan. 1, 1963
4. Jan. 1, 1974

2. What is the minimum number of years a divorcee must have been married in order to claim Social Security benefits from an ex-spouse?
1. Five years
2. 15 years
3. 10 years
4. 12 years

FROM: CAN CERTAIN ETFs CUT CLIENT RISK?

3. What were the approximate total net inflows for managed volatility ETFs in 2016?
1. $14.8 billion
2. $6.5 billion
3. $280 billion
4. $12.6 billion

FROM: USE A CROCKPOT, NOT A MICROWAVE

4. If you wait until age 45 to start retirement savings with a four-asset portfolio (40% large-cap U.S. stocks, 25% small-cap U.S. stocks, 25% U.S. bonds and 10% U.S. cash), you will need to earn an average annualized return of what percent to have $1 million by age 70, based on historical returns?
1. 12%
2. 11%
3. 13%
4. 20%

5. What average annualized percentage return will you need in the same scenario if you start saving at 30?
1. 7%
2. 8%
3. 6%
4. 4%

FROM: 1031 EXCHANGES INCREASINGLY ATTRACTIVE AS REAL ESTATE PRICES CLIMB (online only)

6. In a typical 1031 exchange scenario, how long does the seller of a rental property have in order to identify a "like" property to purchase?
1. 45 days
2. 60 days
3. 50 days
4. 55 days

7. Then how many days does the seller of the rental property have to purchase the "like" property once it has been identified?
1. 200 days
2. 180 days
3. 150 days
4. 175 days

FROM: FOREIGN BUYERS SNAPPING UP U.S. MUNI BONDS, BUT RISKS EXIST FOR CLIENTS (online only)

8. How much U.S. muni debt did foreign investors own at the end of 2016?
1. $150.2 billion
2. $106.4 billion
3. $65.2 billion
4. $88.5 billion

FROM: 10 INVESTING LESSONS OF THE CENTURY (SO FAR) (online only)

9. The average taxable bond fund lost how much in 2008, according to Morningstar?
1. 8%
2. 11%
3. 20%
4. 5%

FROM: THE 4 PILLARS OF RETIREMENT PORTFOLIO MANAGEMENT (online only)

10. In the 20 years following the 1975 deregulation of brokerage commissions, by about how much did the average cost to complete a stock transaction fall?
1. 80%
2. 55%
3. 75%
4. 90%

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Financial Planning

SELFIE

Blending Family Finances

Planning is particularly complicated in a second marriage when accounting for stepparents and stepsiblings.

BY JANE KING AND CAROLINE HEDGES

MANAGING FAMILY FINANCES IS DIFFICULT TO BEGIN with, but when you add in stepfamilies and half siblings, planning becomes especially challenging. As a mother/stepmother and daughter/stepsister, we know firsthand the challenges of a complicated family structure.

Over 50% of U.S. families are remarried or re-coupled after a divorce and at least 13% of all U.S. parents are also stepparents, according to the Census Bureau. It is expected that the "blended family," which includes children from a previous marriage, will become the predominant family structure in the United States in the near future.

Blended families have to do financial planning a little differently. There are all the same things to consider with a few more caveats and potential pitfalls along the way.

Before marrying my husband, who has two children from a first marriage, I (Jane) knew approximately how much he was paying in alimony. But when I saw his monthly payments, which equaled my monthly salary being taken out of our newly established joint checking account each month, it gave me pause, to say the least. Even financial advisers can be taken a bit by surprise.

So when a blended or about-to-be blended family comes to us for advice, we outline the practicalities of what to do — as well as the emotional surprises that may await them. Here are the key things to know as a blended family:

KNOW YOUR EXISTING OBLIGATIONS

What is each partner's existing financial obligations to family? Are you aware of all the alimony, child support or responsibility for college tuition payments?

Does your insurance policy cover both children and stepchildren? If your children are in grade school, does your divorce agreement obligate you to pay for college tuition? You may have financial obligations that kick in when your children or stepchildren reach a certain age.

DRAFT PRENUPTIAL AGREEMENTS

Prenuptial agreements have been given a bad rap by some. But for a blended family, such an agreement can be highly beneficial. The people entering the new marriage should consider a prenuptial agreement that makes it clear who owns what assets and what each's intentions and responsibilities are for current payments and future bequests.

Defining clear lines helps blended families have a clear understanding of all assets from both sides. While it's unpleasant to think about, divorce rates for second marriages are higher than for first marriages.

EXECUTE ESTATE PLANNING

When doing estate planning, determine what is fair. In our family, e have one child of our own, Caroline, in addition to my husband's two kids from his first marriage. After much discussion, we decided that if we together were worth $3, 50 cents would go to each of the older children and $2 to our child. The logic was that their mother would leave all her assets to them.

Each family is different and while there is no formula to follow, it is important to prepare an estate plan that will be fair to all the stakeholders. And plan for the people in the future. Did you know you can set aside a trust for grandchildren yet to be born? Enable family members you trust to provide for future generations. Think ahead. **FP**

Jane King, CFP, is the founder and president of Fairfield Financial Advisors in Wellesley, Massachusetts. Her daughter, **Caroline Hedges,** is a client relationship manager for Fairfield Financial Advisors in New York.

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