AUGUST 22, 2022

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New rules complicate calculating RMDs for inherited IRAs.

PODCASTS

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Correction: The headline of an article in the Aug. 8, 2022, issue incorrectly stated the amount that Private Advisor Group was fined by the SEC. The fine totaled $5.8 million, not $5.8 billion.

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Advisor Group makes a deal — with a twist

BY BRUCE KELLY

IT'S AN RIA financing deal with what appears to be a unique twist: A private equity-backed brokerage firm, in this case the giant Advisor Group network, is investing alongside its owner, Reverence Capital Partners, to acquire a stake in a registered investment adviser, Signature Estate & Investment Advisors, that already uses an Advisor Group firm as its broker-dealer.

The mergers and acquisition market has been anticipating such a deal for most of this year: The new wrinkle is that, essentially, large broker-dealers are looking to play in the red-hot mergers and acquisitions market for RIAs.

Broker-dealers are contemplating investing substantially in large RIA branches or enterprises that already work with them, because this type of transaction would tether the RIA to the broker-dealer before it can be bought by one of the giant RIA roll-ups or aggregators currently scouring the market for deals.

Private equity investors have flooded the market over the last half-dozen years, looking to snap up the assets of highly profitable RIAs. In this case, Reverence Capital Partners is investing in Signature Estate & Investment Advisors, with Advisor Group also taking a piece of the deal, according to its CEO, Jamie Price.

According to the Form ADVs for its two RIAs, Signature Estate & Investment Advisors has $17 billion in client assets. Signature currently uses Royal Alliance Associates Inc. as its broker-dealer. Royal Alliance is one of the largest broker-dealers at Advisor Group, which has 9,700 financial advisors and close to $500 billion in assets.

> **KEY POINTS**
> - Advisor Group is investing in RIA Signature Estate & Investment Advisors.
> - Parent Reverence Capital Partners also has a stake in the deal.

A NEW B-D EMERGES

To make the deal even more intriguing, in the wake of the investment, Signature is opening a new broker-dealer, Signature Estate Securities, and expects to finish moving its brokerage business there by the end of September.

"Advisor Group, when done, will follow behind Reverence Capital in ownership," Price said in an interview last Wednesday, the day the deal was

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Hedge fund Lone Pine snaps up 2.3M shares of LPL Financial

BY BRUCE KELLY

IT LOOKS AS if private equity investors aren't the only ones interested in buying into the financial advice industry. Last Monday, hedge fund Lone Pine Capital said in a filing that it had recently acquired almost 2.3 million shares of LPL Financial Holdings Inc., the parent company of the eponymous broker-dealer, or almost 2.9% of LPL's shares (LPLA) outstanding.

2.9%

LONE PINE'S TOTAL STAKE IN LPL FINANCIAL SHARES

Private equity investors have flooded into the wealth management and registered investment adviser industry in the past six years, driving up the valuations of large RIAs.

NOT UNPRECEDENTED

But it's not unprecedented for a hedge fund to buy shares and take a position in an publicly traded firm like LPL Financial Holdings. In 2015, activist hedge fund investor Marcato Capital Management took a 6.3% stake in LPL Financial Holdings, claiming at the time that LPL's share price was undervalued.

Times have changed. When Marca-

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Schwab exec talks about TD tech integration

ALISON DOOHER

BY RYAN W. NEAL

NEARLY 18 MONTHS after completing its acquisition of TD Ameritrade, Charles Schwab is still on track to meet its goal of integrating the two brokerages' digital platforms within 36 months, said Alison Dooher, Schwab Advisor Services' head of digital adviser solutions.

The last two years have evolved how Schwab thinks about developing technology for advisers, Dooher said. The custodian is investing three times more in technology than it did before the integration and has accelerated how quickly it brings new tools and capabilities to the market.

The next year will be even busier as Schwab prepares to bring aboard thousands of new RIAs from the TD platform. The firm believes it delivers a "best-of-both" platform for advisers of all sizes, and Dooher spoke with *InvestmentNews* about how and where Schwab is investing to make it happen.

[Editor's note: The following has been lightly edited for length and clarity.]

INVESTMENTNEWS: **Where is Schwab on its timeline? How far away are we from a complete integration of the two brokerage platforms?**

ALISON DOOHER: We're still in the process. We stated from legal Day One, which we like to refer to as back in October 2020, [a timeline of] 30 to 36 months. We're maybe two-thirds of the way through.

One of the more recent evolutions of where we are in the planning process and where we think a lot about is how we're going to get advisers ready for this event. What we've really started to do is engage advisers more actively, whether it be through webcasts [or the] Solutions event we've been holding for 20-plus years for operations professionals for RIAs. Lots of dedicated sessions that really are more focused for the Ameritrade advisers and how they can plan what's coming and the transition for their clients, what that will look and feel like.

The other thing that I would mention that we've seen a lot of advisers engage in is the jump-start program we've kicked off for Ameritrade advisers to allow them to open new client accounts on the Schwab platform. It's not really for converting your existing

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Wealthfront tops robo rankings in volatile market

BY RYAN W. NEAL

AS TURBULENT markets and inflation test digital advisers along with the rest of the fintech landscape, the first two quarters of 2022 have shown some robos to be particularly resilient.

Automated investment algorithms that allocated toward value stocks and specific inflation-protection-themed assets stood out from the pack, according to the latest Robo Report from Condor Capital Wealth Management. A classic Wealthfront portfolio and a Morgan Stanley inflation conscious-themed strategy were the best-performing robo-advisers in the year-to-date period ending June 30.

The Robo Report bases its rankings on accounts it has opened with robo-advisers, and the Wealthfront portfolio that performed best is an account

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CI Financial sees slowdown in M&A

BY BRUCE KELLY

CI FINANCIAL, a leading buyer of wealth management firms, said Aug. 11 that during the second quarter, it closed the previously announced acquisitions of two U.S. registered investment advisers: Corient Capital Partners of Newport Beach, California, which has $5 billion in client assets and a focus on ultra-high-net-worth clients, and Galapagos Partners of Houston, a multifamily office with $868 million in client assets.

That's a slowdown from the breakneck pace at which CI Financial had been buying RIAs and wealth management firms in the past.

Kurt MacAlpine, CEO of CI Financial, the Canadian wealth management firm, told investors in May that 2022 was shaping up to be a slower year for acquisitions.

Meanwhile, in its second-quarter earnings report released Aug. 11, CI Financial reiterated its intention to sell up to 20% of its U.S. wealth management business via a U.S. initial public offering, a plan it first announced in April.

The company intends to file the registration for the IPO with the Securities and Exchange Commission during the fourth quarter, MacAlpine said on a conference call with analysts Aug. 11.

The company said it intends to use the net proceeds from the IPO to pay down debt, and that a final decision on the IPO size, conditions and timing is pending.

At the end of June, CI Financial reported $112.6 billion of U.S. wealth management assets, up 71% compared to the end of June 2021

bkelly@investmentnews.com

Creative Planning buys $5B Wipfli

BY JEFF BENJAMIN

CREATIVE PLANNING IS undertaking its third-largest acquisition ever with the addition of Wipfli Financial Advisors, a Milwaukee-based firm managing $5 billion worth of client assets.

The deal, which closes Sept. 30, brings with it 95 employees and a connection to top 20 accounting firm Wipfli LLP, from which the advisory business is being spun off.

"This is a major, major deal," said Peter Mallouk, Creative Planning's chief executive.

"Wipfli makes us more competitive in a lot of markets," he added. "There will be a strategic partnership now where Wipfli will be referring wealth management clients."

The transaction includes Wipfli Financial Advisors' digital investment solution, Avid, as well as its retirement plan services group. They will complement Creative Planning's recent acquisition of Lockton Retirement Services and its emerging wealth division.

Terms of the deal were not disclosed beyond a note that "Wipfli LLP will maintain a significant minority ownership stake in the venture."

'A PERFECT MATCH'

Wipfli LLP started Wipfli Financial Advisors in 1999 with a mission to make objective, fiduciary-focused financial advice available to the everyday investor, according to the announcement.

"Their presence in Colorado, Illinois, Minnesota, New Hampshire, Montana, Pennsylvania and Wisconsin will help us better serve our clients throughout the U.S.," Mallouk said. "From our first conversations with [Wipfli principal and CEO] Jeff Pierce and the rest of the Wipfli Financial team, it was evident that this was a

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INFLATION REDUCTION ACT

Wealthy clients mostly avoid new taxes under new law

BY MARK SCHOEFF JR.

LEGISLATION THAT began last year with several potential tax hikes for wealthy Americans crossed the finish line this month carrying just a handful of tax provisions — and none that directly target high-net-worth individuals.

On Aug. 7, the Senate approved the Inflation Reduction Act, a $790 billion bill that funds Democrats' health care and climate priorities over the next 10 years. It passed 51-50 under a parliamentary rule that allowed it to bypass a Republican filibuster and advance with the tie-breaking vote of Vice President Kamala Harris. On Aug. 12, the House approved along party lines, 220-207. President Biden signed the bill into law last Tuesday.

The legislation has shrunken from what started last year as the $3.5 trillion Build Back Better Act and was then trimmed to the $1.75 trillion version the House approved in November.

The House iteration of Build Back Better contained a litany of tax increases on people making more than $400,000 annually, including expanding the net investment tax, levying a surcharge on people making more than $10 million annually, imposing limits on individual retirement accounts exceeding $10 million, and curbing rollovers from traditional IRAs to Roth IRAs.

But the House bill stalled in the Senate. What emerged last month after negotiations with moderate Democratic senators was the Inflation Reduction Act, whose tax provisions are much more limited and for the most part don't target wealthy individuals.

The so-called payfors in the current bill include a corporate minimum tax, an excise tax on corporate stock buybacks, an $80 billion boost to the Internal Revenue Services budget and drug pricing reform.

"The headline of this is Democrats didn't get a big tax bill passed," said Jim Cahn, chief investment officer at Wealth Enhancement Group. "It's a lot of noise and a lot of money, but it's probably not a lot of impact. The bill has very specific winners and losers."

KEY POINTS

- Bill imposes 15% minimum tax on businesses with income over $1 billion over three consecutive years.
- IRS gets increased funding.

Bob Lickwar, managing director for tax at UHY Advisors, a CPA firm, said there's not much to parse from a tax perspective.

"There are not a lot of tax components to this bill," Lickwar said. When it comes to substantial tax increases on individuals, "nobody wants to pull the trigger. My clients are happy."

CORPORATE INCREASES

There are some tax floors built into the bill. For instance, the 15% minimum tax applies to businesses with an income that exceeds $1 billion over three consecutive years.

Capitol Hill Republicans are criticizing the 1% tax on stock buybacks, calling it a threat to retirement savings for 401(k) and IRA participants' corporate stock.

But several exceptions were added that shield from the tax repurchased stock that's contributed to retirement plans, repurchases of less than $1 mil-

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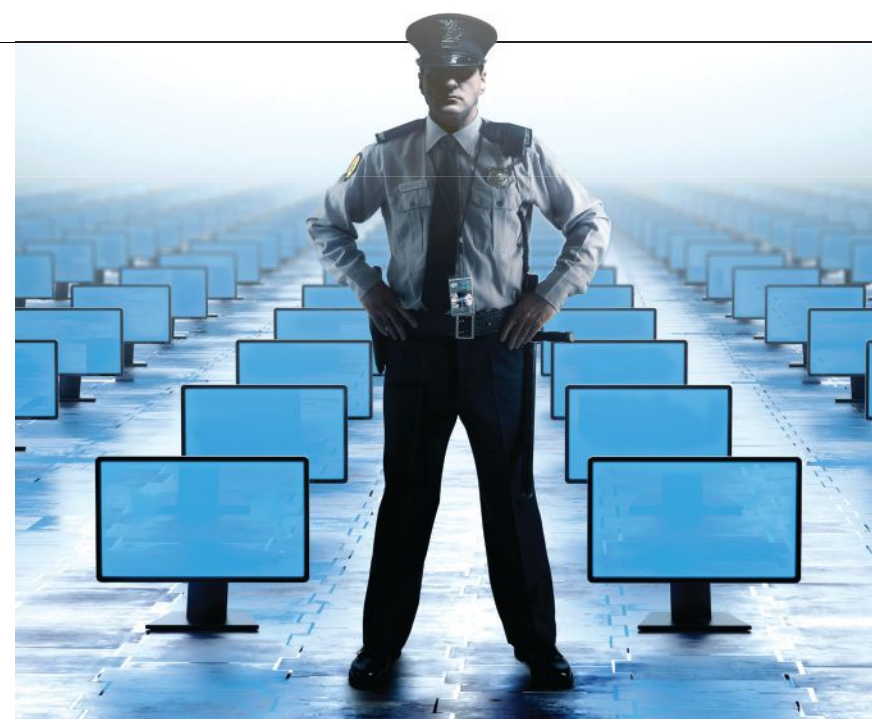
Advisers prepare clients for audits as stronger IRS enforcement looms



BY MARK SCHOEFF JR.

FINANCIAL ADVISERS and their clients are bracing for the potential for more audits by the Internal Revenue Service now that the agency is about to get a big budget boost.

On Aug. 12, the House approved along party lines, 220-207, the Inflation Reduction Act, sweeping legislation that encompasses Democrats' health care and climate priorities, along with tax increases to pay for them. The Senate passed the bill on Aug. 7, also on a party-line vote, and President Biden signed the bill into law last Tuesday.

One of the measure's provisions would provide $80 billion over the next 10 years to the IRS in part to strengthen the agency's enforcement and compliance efforts and result in $203 billion of extra tax revenue, according to a summary of the tax portion of the bill.

It's likely the IRS will step up its scrutiny of high-net-worth individuals. Advisers and their clients are getting ready.

"We need to prepare for an audit, even if [clients] are not doing anything wrong," said Craig Toberman, founder of Toberman Wealth. "We need to make sure everything they do is documented."

That kind of tax housekeeping can be aided by technology that scans documents and digitizes files.

"It's less expensive and cumbersome to invest in organizing [tax documents] on the front end rather than be forced to scramble in the event of an actual audit," Toberman said. "Systems and technology can help with that."

CAREFUL REVIEW

A careful review of tax returns can help clients avoid trouble with the IRS.

Michelle Gessner, founder of Gessner Wealth Strategies, looks at her clients' tax returns from the previous year as she does tax planning.

"In this process, we find errors all the time," Gessner said. "With our set of eyes on the return that was already filed and projecting ahead, we often find discrepancies that can be fixed."

The exercise is helpful for all clients, not just those with high net worth who may be in the sights of the IRS.

"We assume everyone is being scrutinized," Gessner said.

One area the IRS might target is the compensation that business owners pay themselves. If it's too low, the agency might wonder whether the proprietor is trying to avoid self-employment taxes.

"I see it as a red flag," said Sarah Ponder, founder of Real Estate Wealth Planning. "My general advice is to ensure that their salary and compensation is at least in line with the Bureau of Labor Statistics average for their profession in their metro area, among other factors. They should also look closely at their profit-

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NO LIMITS

Prime Capital Investment Advisors congratulates Laura Ehrenberg-Chesler, Marilou Moursund, CFA and Sarah Calvert Doerr of Crossvault Capital Management LLC for building a successful 100 percent, female-owned investment advisory firm. Together this powerhouse trio of friends and business partners have built a business that is the envy of its competitors, founded on delivering high-quality services to their clients in the San Antonio market and beyond.

Prime Capital Investment Advisors is honored that the Crossvault partners have chosen to combine their business with ours and we look forward to much success together in the future.

In an industry dominated by male viewpoints, these three women have carved out their place, offering discerning investors a fresh perspective. We need more of this. The time has come to expand the table, including the diverse experiences of all those driven to serve the financial needs of investors.

Our team's conscious effort to recruit and bolster women in the industry began years ago when Longer Investments founder, Elaine Longer, brought her firm to PCIA. Just prior to the addition of Crossvault, Wendy Prestwod, CEO of Prestwood Financial Group, joined the PCIA roster. We are committed to playing our part in amplifying the voices of underrepresented people in financial services, including in our own organizational ranks. For this reason, we have taken steps toward establishing a 501(c)(3) dedicated to recruiting, engaging and uplifting women in finance.

There are NO LIMITS to what we can do when we start with a mindset of instilling greatness in every aspect of our lives. We hope you join us in rewriting the playbook of our industry.

Glenn A. Spencer
Chief Executive Officer

PRIME CAPITAL
INVESTMENT ADVISORS

Opinion

_IN_ THEIR OWN WORDS ...
from the web and print pages of *InvestmentNews*

"For nearly all Main Street investors, there is no difference between investing your money in single-stock ETFs and gambling with that money at a casino."

William Galvin, Massachusetts Secretary of the Commonwealth

"Fixed income absolutely earns its place in a portfolio now because it actually has income."

Lisa Hornby, head of U.S. multi-sector fixed income, Schroders

New regulations for the new reality

"If something cannot go on forever, it will stop." That epigram, which became known as Stein's Law after economist Herb Stein, who served as chairman of the Council of Economic Advisers under Richard Nixon and Gerald Ford, was meant to explain that an unsustainable economic trend — such as ever-increasing taxes or growing deficit-spending, for example — eventually ends because there is simply no possible way for it to continue.

A corollary of Stein's Law — "If whatever being regulated changes, so must the regulation" — could well apply in the securities business. An example is a recent proposal by the Financial Industry Regulatory Association Inc. regarding inspections. As Senior Reporter Mark Schoeff Jr. recently wrote, Finra has asked the Securities and Exchange Commission to approve a three-year voluntary pilot program for financial firms that want to continue remote inspections of branch offices and other locations. The pilot effectively would keep in place what Finra has allowed since November 2020 in response to the pandemic, which caused most brokerages to switch to remote operations.

Remote work, which everyone assumed would be temporary, has turned out to be a seemingly permanent way of operating. For a wide variety of businesses, the shift has ramifications that have yet to play out. Owners of office buildings, for example, are struggling with tremendous uncertainty over the value of their properties. For broker-dealers and other regulated entities in the securities business, however, at least one implication of remote work is clear: There must be a way to oversee registered representatives and others that reflects the new reality, as well as new ways for regulators to ensure compliance.

Finra said the pilot program, if approved by the SEC, will help it collect data on how effective remote inspections are. Those data will help the regulator assess possible long-term rule changes. Whatever permanent regulatory changes come in this area, there's no doubt they will require a greater use of technology, which means an even greater investment in tech tools.

For smaller firms already at a scale disadvantage, this will be an additional motivation to be acquired, merge or to exit the business. For larger firms, new technology to monitor remote work will mean stepped-up efforts to bolster cybersecurity and new uses of artificial intelligence to assess and predict the actions of those being monitored.

For advisers and other registered personnel, greater remote monitoring likely will require even greater care in keeping work technology and equipment separate from the proliferation of personal tech tools.

THE DAYS OF SENDING A TEXT TO A CLIENT OR COMMUNICATING VIA TABLET OR ANYTHING ELSE THAT ISN'T EXCLUSIVELY USED FOR WORK MAY BE COMING TO AN END.

The days of sending a text to a client from a cellphone or communicating via a tablet or anything else that isn't exclusively used for work and scrupulously protected may be coming to an end.

The greater use of technology also may mean that, at some point in the future, 24/7 real-time monitoring of all broker-dealer activities will be the way oversight is conducted.

Some probably believe that's inevitable. What might Herb Stein say?

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SO YOUR RIA
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THE WAVE OF IPOS AMONG RIAS HAS BEEN BUILDING FOR YEARS, BUT SOME IN THE INDUSTRY WONDER HOW MANY FIRMS CAN WEATHER THE CHALLENGES OF BEING A PUBLIC COMPANY.

BY BRUCE KELLY

A HAS GONE MEGA. IME TO GO PUBLIC?

The ripple of wealth management firms — including super-sized registered investment advisers — seeking both riches for executives and investor capital to feed expansion plans via an initial public offering looks as if it's turning into a wave.

And many mega RIAs are backed by private equity investors, who invested in the first place because firms typically kick off returns of 25% to 35% of revenue. Those private funds are looking to cash out and eyeing the public market in some instances to do so.

This RIA IPO wave has been building for years. Four years ago, Focus Financial Partners Inc., a longtime buyer and aggregator of RIAs, had its initial public offering, and as of Aug. 10 it was trading at $42.18 per share, an increase of 27.8% from its initial offering price of $33 per share.

It's not easy being a public company and riding the storm of the public markets. Since its IPO in July 2018, Focus Financial Partners (FOCS) shares have hit an intraday low of $12.17 during the March 2020 market sell-off caused by the Covid-19 pandemic and traded as high as $69 last November, when the market was cresting before its most recent dive into bear market territory.

But Focus Financial Partners' success as a public company that buys RIAs didn't lead to an instant flood of copycats, or firms looking to replicate its success. Sure, plenty of other RIA aggregators, often backed with heaps of private equity money, which Focus Financial Partners mostly shunned, have come to the fore as industry standouts. Yet the public market for RIAs or other wealth management firms that provide services for advisers remained quiet — until last year.

That's when The Tiedemann Group, a New York-based investment and wealth management firm, and Alvarium Investments Ltd., a London wealth management and investment firm with global reach and an RIA in Miami, said they were, first, merging, and, next, combining with Cartesian Growth Corp. (GLBL), a special purpose acquisition company. (Also known as blank-check companies, SPACs were the investment darlings of the Covid-19 pandemic but have fallen out of favor this year.)

The new business combination embraced its potential. According to an investor presentation outlining the deal, the Tiedemann/Alvarium venture expects to have more than $100 billion in client assets by 2026 as compared to $54 billion at the end of 2020.

More importantly, the Tiedemann/Alvarium deal appears to have triggered a rush to the IPO door this year by wealth management firms and mega RIAs.

Dynasty Financial Partners, a service company that supports wirehouse representatives who break away to become independent advisers, filed for its IPO in January. St. Petersburg, Florida-based Dynasty, a longtime leader in the independent RIA industry, is seeking to raise $100 million through its IPO, and the stock will list on the Nasdaq under the ticker DSTY.

Then in April, Toronto-based RIA

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RECENT IPO ANNOUNCEMENTS BY WEALTH MANAGEMENT FIRMS

MARCH 2021
Reverence Capital Partners and its financial and fintech services SPAC, Reverence Acquisition Corp., announce plans to raise $300 million. It plans to list on the Nasdaq under the symbol RCPIU.

SEPTEMBER 2021
Tiedemann Group and Alvarium Investments Ltd., investment advisers serving wealthy clients, agree to combine with blank-check company Cartesian Growth Corp. to create a company valued at $1.4 billion. It plans to list on the Nasdaq under the ticker GLBL.

JANUARY 2022
Dynasty Financial Partners files for IPO looking to raise $100 million. It plans to list on Nasdaq with the symbol DSTY.

APRIL 2022
Toronto-based RIA aggregator CI Financial plans to file an initial public offering for its fast-growing U.S. wealth management unit. CI intends to use the net proceeds from the IPO to pay down debt. CI will remain the majority shareholder of the U.S. wealth management business.

JULY 2022
Broker-dealer aggregator Wentworth Management Services announces it's merging with Kingswood Acquisition Corp. to operate as a new entity, Binah Capital Group, under the ticker KWAC.

In the wings?
The financial advice industry also expects the following firms to at least consider an IPO in the near term:
- Advisor Group
- Wealth Enhancement Group
- Hightower Advisors

UPS AND DOWNS OF FOCUS FINANCIAL PARTNERS (FOCS)

Source: CNBC

CONTINUED FROM PAGE 9

aggregator CI Financial (CIXX) said it planned to file an IPO this year for its fast-growing U.S. wealth management business. Since entering the U.S. wealth sector in early 2020, CI has become the country's fastest-growing wealth management platform, and its U.S. wealth management business has grown to become CI's largest business unit by assets.

At the time, CI Financial said that once its outstanding RIA acquisitions had been completed, its U.S. wealth management assets would reach approximately $133 billion.

Others make the IPO rush look like a pile-on. Reverence Capital Partners and its financial services SPAC, Reverence Acquisition Corp., launched last year. Broker-dealer aggregator Wentworth Management Services last month said it was merging with Kingswood Acquisition Corp. (KWAC).

And waiting in the wings, many industry observers believe, are any number of privately held, private equity-backed wealth management firms that are either RIAs or have significant advisory businesses, including Advisor Group, a broker-dealer network, Wealth Enhancement Group, a giant adviser network, and Hightower Advisors, one of the oldest RIA aggregators in the industry.

A CAUTIOUS NOTE

Still, some senior industry executives, bankers and attorneys sound cautious about the RIA IPO wave, despite the recent rush.

"The question is, how much of these RIAs' funding should come via equity and how much via long- and short-term debt," said Mark Tibergien, the former CEO of Pershing Advisor Solutions and a longtime industry executive and RIA proponent.

He said that valuations for some high-profile private equity-backed RIAs reflect long-term growth prospects more than the immediate expectations of an IPO.

"And once they enter into the realm of public registration for an IPO, RIAs add a whole new level of complexity, including Securities and Exchange Commission regulations on their activities and disclosures," Tibergien said. "They also might end up being a bit more focused on short-term profits to prop up stock prices."

One challenge, he noted is that most, if not all RIA consolidators — think Focus Financial Partners or CI Financial — are micro-cap or mid-cap companies. And companies of that size, particularly micro-caps with a market capitalization in the neighborhood of $300 million, have trouble finding a following among analysts or institutional investors.

Right now, the RIA IPO wave is more of a story about "supply push" rather than true demand from the market, said Dan Seivert, CEO and managing partner of Echelon Partners, an investment bank that focuses on wealth management firms.

"The financial profile of these companies is not such that the public would be going crazy for them," Seivert said, but added that the Tiedemann/Alvarium merger stands out, given the focus on high-net-worth investors. "That's a tough space to get into and a potential reason why other high-net-worth investors would be interested."

Asked whether private equity investors are seeking to cash out of their ownership of RIAs, Seivert said: "Those firms will just continue to ride the wave of private investors interested in the RIA industry. Being a public company is expensive and difficult. It could cost $1 million to $2 million per year. And then everything management does that may have been confidential is now out in the open."

But some disagree, believing the market is burgeoning for RIA IPOs.

"Any RIA worth $500 million or more probably has the ability to go public," said Peter Nesvold, a veteran merchant and investment banker in the financial services industry. "Whether management and the investors want to or not is up to them."

The aforementioned Focus Financial Partners, for example, this month has a market capitalization in the neighborhood of $3.3 billion. The Tiedemann/Alvarium combination, under the moniker Cartesian Growth Corp., has a projected valuation of $1.4 billion.

"The Tiedemann deal involves a traditional RIA," Nesvold said. "I think a lot of us are rooting for that deal to be successful. We want to see that happen because it's an option for firms other than just going to private equity investors."

ALL ABOUT TIMING

The timing has to be right for an IPO. The rough market of the first half of 2022, with the S&P 500 stock index down 21%, is creating potential problems for listings in the second half of this year.

Indeed, the IPO window "was virtually shut" during the second quarter this year, and venture capital-backed public listings reached a 13-year quarterly low, with just eight completed, according to the most recent Pitchbook U.S. Venture Monitor report.

"This has meant that late-stage companies that may have been on the road to a public listing or that often rely on public market valuations to help price their financing rounds have had to pivot liquidity strategies and cool pricing expectations," according to the report.

Meanwhile, some SPAC investors are getting nervous and are looking to pull money out of some deals. SPACs have been criticized generally for fees.

Shares are sold at $10 each, often with a warrant to purchase an additional share at $11.50.

But investors pay a price. The new company and its sponsor get a stake called a "promote," typically paying themselves 20% — a hurdle critics don't like.

Mergers also had a tough second quarter in which "we saw general sentiment around SPACs continue to deteriorate in light of massive losses in public equities," according to the Pitchbook report. "Many announced SPAC mergers were abandoned or canceled in the wake of the reset in valuation multiples. SPAC shareholders are likely becoming more risk-averse and strongly considering their redemption rights to get their principal back rather than take on the risks of operating the business."

"THE PUBLIC MARKET IS A LUCRATIVE PLACE TO PLAY."

BRIAN HAMBURGER, INDUSTRY ATTORNEY

'DANGEROUS WATERS'

Finally, holding back an RIA IPO wave are potential fiduciary problems with a public company registered investment adviser.

"The public market is a lucrative place to play," said Brian Hamburger, an industry attorney. "But the wealth management firms themselves are heading into dangerous waters. There's a meaningful distinction when the ownership of these firms is so disconnected from the clients' needs."

"RIAs are supposed to be fiduciaries," Hamburger said. "But the board of directors has dueling interests between the firm's clients and the fiduciary obligation of the board to the shareholders."

"So you have another layer of conflict," he added. "It remains to be seen if independent RIA firms can succeed in this construct."

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Rising Interest Rates: Good or Bad for Real Estate?

At a time when investors are struggling with rising interest rates and falling equity values, Grubb Properties explains why multi-family residential real estate could offer an attractive alternative.

The Federal Reserve's recent moves to raise interest rates with intention of cooling inflation have triggered a sell-off in equities. The moves also have led to higher mortgage rates, which often can make home-buying more expensive. But what do higher rates mean for real estate investors? To find out, InvestmentNews Create recently met with Todd Williams, Chief Investment Officer at Grubb Properties, a developer, owner and manager of essential housing, which it defines as multi-family residential properties positioned between affordable housing and luxury housing. His edited comments follow.

Todd Williams
Chief Investment Officer
Grubb Properties

InvestmentNews Create: Before we discuss why revisiting the traditional 60/40 asset allocation mix may make sense, explain why it has proven popular and useful for so long.

TODD WILLIAMS: A rising rate environment can be challenging for investors, but it still affords many opportunities. Investors should look for managers with experience getting through these environments, and for managers that consider the debt requirements of each project as well as their entire loan portfolio. The goal is finding a portfolio that applies the best financing structure to each project and protects assets for the long term.

The interest-rate characteristics of the debt portfolio supporting real estate investments are complex, and at Grubb Properties we view ours through four metrics: The proportion that is fixed rate, the proportion that is floating rate, and the real and nominal rates on the total portfolio. Real rates are adjusted for inflation while nominal rates aren't. In this high-inflation environment, real rates should be considered to understand the true value the loan portfolio is creating.

In addition to those four metrics, two other important debt characteristics should be considered in volatile times: term (the length of a loan) and leverage (the loan as a percentage of the total cost or value of the asset). Rapidly rising interest rate environments can lead to volatility in capital markets which affects lender behavior with respect to existing loans and to their willingness to provide new lending. During these periods of volatility, loan expirations and triggering loan covenants can have significant repercussions to borrowers. High-leverage loans can breach loan covenants when values drop or lease income is affected. These changes can trigger requirements for additional equity investment, an event known as curtailment, or the paying down of the loan either in full or in part. Likewise, if a loan expires at a time new lending is limited or temporarily non-existent, refinancing an asset can be extremely challenging.

At Grubb Properties, we maintain significant discipline with respect to both total leverage and loan maturity. With respect to leverage, we typically use debt for 55% to 65% of a project's cost, which translates into equity of between 35% and 45%. This provides coverage even during times of distress like we saw during the Global Financial Crisis when values dropped by as much as 30%. Our financial team aggressively manages debt expirations so that most of our portfolio has expirations 10 or more years out, with some properties having maturities as long as 42 years. In addition, we make sure that we have very limited exposure to any loan terms with less than three years remaining.

InvestmentNews Create: How do rising rates affect investment real estate differently from those buying a home as a residence?

TODD WILLIAMS: For residential home buyers, a mortgage with a higher rate — whether that mortgage is fixed or variable — means a higher monthly mortgage payment. With a fixed-rate mortgage, of course, that higher payment is unchanged, but with a variable-rate mortgage the payment could go up if interest rates rise.

The same holds true for a multifamily property, except that the property owner may be able to increase rents to help offset all or some of the rising mortgage cost. For properties that have long-term, fixed-rate financing, like the majority of the Grubb's portfolio, rising rates don't impact property performance. In fact, one distinct advantage of commercial, long-term, fixed-rate loans is that they are generally fully assumable by future buyers. That is not true with most single-family home loans. As a result, a commercial loan on a multi-family property secured with a fixed-rate loan can actually add value to the property if interest rates have risen significantly, because a buyer would pay more to the seller to assume such a low-interest loan.

InvestmentNews Create: What advantages does multi-family real estate have for investors in the current environment?

TODD WILLIAMS: Multifamily housing historically has been an effective hedge against inflation compared with other commercial real estate asset classes. Lease terms are generally shorter and more favorable, which gives investors the opportunity to reprice rents as costs increase. Of course, as inflation rises, the cost of living does too. That can push housing further out of reach for many workers. The current housing crisis, driven by both generational demand and a lack of supply, means there will be continued need for more housing for years to come. For that reason, Grubb builds what it defines as 'essential housing' – housing that is affordable to those making between 60% and 140% of an area's median income. We believe that part of the market offers investors a resilient strategy.

InvestmentNews Create: Where does such real estate fit in a portfolio?

TODD WILLIAMS: Working with an advisor is the best way for an individual investor to figure out how real estate might best be utilized in a portfolio, or if doing so is appropriate at all. That said, real estate can often be valuable as an asset class that has low historic correlation to publicly traded bonds and equities. Often, real estate can generate income and capital appreciation over time along with certain tax benefits. It is important to recognize, however, that private real estate investments — those not listed on a public exchange — typically are illiquid. While they can have advantages in terms of appreciation, illiquid investments generally are not be suitable for those who may need ready access to their capital.

InvestmentNews Create: How different is each geographic market in terms of inflation and supply/demand characteristics?

TODD WILLIAMS: Since real estate is inherently local, submarket and metropolitan market dynamics are very much a factor in supply and demand analysis. Nationally, the U.S. is significantly under-supplied by multifamily housing, but each market is vastly different. During the pandemic, for example, gateway markets such as New York City, Los Angeles and San Francisco saw temporary relocation by their residents, resulting in low occupancy and falling rents. At Grubb Properties, we saw this as an opportunity to acquire sites at a discount in those markets so we would be favorably positioned when the markets recovered. Conversely, high-growth markets in the Southeast saw booming demand, substantially driving up rental occupancies and rents. We elected to sell several mature investments in those markets in 2020 and 2021, and recognized above-market returns for those assets. Managers with a long-term perspective who have experienced inflation and recessions can be successful contrarians when temporary dislocations appear. ■

To find out more visit, grubbproperties.com

This is a sponsored special feature developed by the InvestmentNews Create and supported by Grubb Properties.

TOP FEE-ONLY RIAS 2022

RANK	FIRM	PHONE/WEBSITE	TOTAL ASSETS ($M)	TOTAL ACCOUNTS	DISCRETIONARY ASSETS ($M)	DISCRETIONARY ACCOUNTS	NONDISCRETIONARY ASSETS ($M)	NONDISCRETIONARY ACCOUNTS	EMPLOYEES
1	**Cambridge Associates** 125 High St. Boston, MA 02110-2112	617-457-7500 www.cambridgeassociates.com	$294,346	571	$53,128	139	$241,218	432	1,044
2	**Fisher Asset Management** 5525 NW Fisher Creek Drive Camas, WA 98607-9911	800-851-8845 www.fisherinvestments.com	$208,905	217,207	$208,905	217,207	$-	0	2,908
3	**Hall Capital Partners** One Maritime Plaza, 6th Floor San Francisco, CA 94111	415-288-0544 www.hallcapital.com	$55,707	185	$24,151	85	$31,556	100	189
4	**Jasper Ridge Partners** 201 Main St., Suite 1000 Fort Worth, TX 76102	817-333-0027 www.jasperridge.com	$35,106	49	$34,076	42	$1,030	7	97
5	**Moneta Group Investment Advisors** 100 South Brentwood Blvd. St. Louis, MO 63105	314-726-2300 twitter.com/monetagroup	$32,889	33,261	$18,238	11,666	$14,651	21,595	395
6	**Silvercrest Asset Management Group** 1330 Avenue of the Americas, 38th Floor New York, NY 10019-5400	212-649-0600 www.silvercrestgroup.com	$32,320	1,285	$25,073	1,262	$7,246	23	152
7	**Tiedemann Advisors** 520 Madison Ave., 26th Floor New York, NY 10022	212-396-5900 www.linkedin.com/company/ tiedemann-advisors/	$26,578	588	$22,140	424	$4,438	164	123
8	**BBR Partners** 55 East 52nd St., 18th Floor New York, NY 10055	212-313-9870 www.linkedin.com/company/ bbr-partners/	$25,968	4,000	$23,602	3,900	$2,366	100	160
9	**Cresset Asset Management** 444 W. Lake St., Suite 4700 Chicago, IL 60606	312-429-2400 vimeo.com/user82142722	$22,968	13,727	$19,199	12,692	$3,769	1,035	298
10	**Comprehensive Financial Management** 720 University Ave., Suite 200 Los Gatos, CA 95032-7606	408-358-3316	$22,755	28	$22,755	28	$-	0	33
11	**Pathstone Family Office** 10 Sterling Blvd., Suite 402 Englewood, NJ 07631	201-944-7284 www.youtube.com/channel/ UCweN6xD6lpMp-WUVUYRhrQQ	$22,605	12,921	$15,991	10,605	$6,614	2,316	211
12	**Johnson Investment Counsel Inc.** 3777 West Fork Road Cincinnati, OH 45247	513-661-3100 www.johnsonmutualfunds.com	$18,764	13,835	$18,528	13,814	$236	21	125
13	**IEQ Capital** 950 Tower Lane, Suite 1800 Foster City, CA 94404	650-581-9807 www.ieqcapital.com	$17,791	937	$17,345	914	$447	23	81
14	**Jordan Park Group** 100 Pine St., Suite 2600 San Francisco, CA 94111	415-417-3000 www.jordanpark.com	$17,601	4,108	$17,601	4,108	$-	0	117
15	**Bahl & Gaynor Inc.** 255 East Fifth St., Suite 2700 Cincinnati, OH 45202	513-287-6100 twitter.com/bahlgaynor	$17,566	2,536	$17,182	2,488	$383	48	35
16	**Oxford Financial Group** 11711 North Meridian St., Suite 600 Carmel, IN 46032	317-843-5678 www.ofgltd.com	$17,064	10,064	$7,264	4,330	$9,800	5,734	133
17	**Aspiriant** 11100 Santa Monica Blvd., Suite 600 Los Angeles, CA 90025	310-806-4000 www.aspiriantfunds.com	$15,477	10,471	$12,335	8,110	$3,142	2,361	203
18	**EP Wealth Advisors** 21535 Hawthorne Blvd., Suite 400 Torrance, CA 90503	310-543-4559 www.linkedin.com/ company/1947980/	$14,670	18,365	$14,386	18,300	$284	65	257
19	**Financial Counselors Inc.** 5901 College Blvd., Suite 110 Overland Park, KS 66211	800-615-2536 www.fciadvisors.com/	$14,472	13,107	$12,828	12,381	$1,644	726	61
20	**Wealthspire Advisors** 521 Fifth Ave., 15th Floor New York, NY 10175	212-973-1200 twitter.com/wealthspire	$14,321	4,586	$14,027	4,548	$294	38	184
21	**W.E. Family Offices** 701 Brickell Ave., Suite 2101 Miami, FL 33131	305-825-2225 www.linkedin.com/company/ we-family-offices/	$13,382	96	$-	0	$13,382	96	53
22	**Savant Capital** 190 Buckley Drive Rockford, IL 61107	815-227-0300 www.linkedin.com/company/ savant-wealth-management/	$12,850	7,918	$12,850	7,918	$-	0	250
23	**Loring Wolcott & Coolidge Fiduciary Advisors** 230 Congress St. Boston, MA 02110-2437	617-523-6531 www.sustainabilitygroup.com	$12,619	3,202	$12,547	3,187	$73	15	99
24	**Appleton Partners Inc.** One Post Office Square, 5th Floor Boston, MA 02109	617-338-0700 www.appletonpartners.com	$12,510	6,645	$12,510	6,645	$-	0	54
25	**Fiduciary Counselling Inc.** 2000 Wells Fargo Place, 30 East 7th St. St. Paul, MN 55101-4930	651-228-0935	$11,436	1,648	$4,252	1,441	$7,183	207	78

RANK	FIRM	PHONE/WEBSITE	TOTAL ASSETS ($M)	TOTAL ACCOUNTS	DISCRETIONARY ASSETS ($M)	DISCRETIONARY ACCOUNTS	NONDISCRETIONARY ASSETS ($M)	NONDISCRETIONARY ACCOUNTS	EMPLOYEES
26	**HB Wealth Management** 3550 Lenox Rd., Suite 2700 Atlanta, GA 30326	404-264-1400 www.homrichberg.com	$11,083	10,198	$9,544	10,079	$1,539	119	146
27	**Lido Advisors** 1875 Century Park East, Suite 950 Los Angeles, CA 90067	310-278-8232 www.linkedin.com/ company/126294	$11,052	10,305	$10,619	10,122	$433	183	119
28	**Ballentine Partners** 230 Third Ave., Suite 6 Waltham, MA 02451	781-314-1300 twitter.com/ballentineprs	$10,520	5,251	$7,651	3,086	$2,869	2,165	79
29	**Evoke Wealth** 10635 Santa Monica Blvd., Suite 240 Los Angeles, CA 90025	424-372-1775 www.evokewealth.com	$10,457	6,415	$9,970	6,270	$488	145	44
30	**Brighton Jones** 2030 1st Ave., 3rd Floor Seattle, WA 98121	206-258-5000 www.brightonjones.com	$10,051	2,408	$9,949	2,403	$102	5	205
31	**Choreo** 801 Nicollet Mall, Suite 1200 Minneapolis, MN 55402	312-702-1680 www.linkedin.com/ company/choreo-advisors/	$9,978	12,977	$7,828	11,906	$2,150	1,071	126
32	**Tag Associates** 810 Seventh Ave., 7th Floor New York, NY 10019-5890	212-275-1500 www.tagassoc.com	$9,496	1,478	$313	83	$9,182	1,395	70
33	**Mill Creek Capital Advisors** 161 Washington St., Suite 1500 Conshohocken, PA 19428	610-941-7700 www.millcreekcap.com	$9,437	372	$8,728	361	$709	11	37
34	**CV Advisors** 19495 Biscayne Blvd., Suite PH1 Aventura, FL 33180	305-358-5990 www.cv-advisors.com	$9,407	1,639	$682	187	$8,725	1,452	51
35	**The Mather Group** 353 N. Clark St., Suite 2775 Chicago, IL 60654	630-537-1078 themathergroup.com	$8,580	12,561	$7,584	8,799	$996	3,762	128
36	**Ferguson Wellman Capital Management Inc.** 888 SW 5th Ave., Suite 1200 Portland, OR 97204	503-226-1444 twitter.com/fergusonwellman	$8,200	3,585	$8,200	3,585	$-	0	57
37	**Heber Fuger Wendin Inc.** **(now Mariner Wealth Advisors)** 36700 Woodward Ave., Suite 201 Bloomfield, MI 48304-3984	248-258-6866 marinerwealthadvisors.com/ heber-fuger-wendin/	$7,941	281	$326	203	$7,615	78	11
38	**Churchill Management Corp.** 5900 Wilshire Blvd., Suite 400 Los Angeles, CA 90036	323-937-7110 www.churchillmanagement.com	$7,915	18,036	$7,783	17,124	$132	912	57
39	**Pinnacle Associates** 286 Madison Ave., 20th Floor New York, NY 10017	212-652-3200 pinnacleinsights.org	$7,747	5,133	$7,747	5,133	$-	0	61
40	**Ropes Wealth Advisors** Prudential Tower, 800 Boylston Street Boston, MA 02199-3600	617-235-4260 www.ropeswealthadvisors.com	$7,503	3,332	$7,322	3,283	$181	49	37
41	**Valeo Financial Advisors** 10 W. Carmel Drive, Suite 400 Carmel, IN 46032-3357	317.218.6000 www.valeofinancial.com	$7,278	14,264	$4,996	9,359	$2,282	4,905	120
42	**Wetherby Asset Management** 580 California St. San Francisco, CA 94104	212-292-4809 www.wetherby.com	$7,273	3,525	$7,049	3,429	$224	96	79
43	**Adviser Investments** 85 Wells Ave., Suite 109 Newton, MA 02459	617-321-2200 www.linkedin.com/in/ daniel-silver-15981b/	$7,250	12,259	$7,250	12,258	$0	1	104
44	**Frontier Asset Management** 50 East Loucks St., Suite 201 Sheridan, WY 82801	307-673-5675 www.frontierasset.com	$7,202	4,580	$1,840	4,397	$5,362	183	46
45	**Modera Wealth Management** 56 Jefferson Ave. Westwood, NJ 07675	201-768-4600 www.facebook.com/ aclearpathforward/	$6,951	8,913	$6,895	8,818	$56	95	87
46	**Seven Post Investment Office** One Montgomery St., Suite 3150 San Francisco, CA 94104-4505	415-341-9300 www.sevenpost.com	$6,937	183	$6,633	175	$304	8	20
47	**East End Advisors** 610 Fifth Ave., 5th Floor New York, NY 10020	212-218-8137	$6,921	36	$1,191	18	$5,729	18	18
48	**R M Davis Inc.** 24 City Center Portland, ME 04101-4069	207-774-0022 www.linkedin.com/ company/r-m-davis-inc-/	$6,805	5,755	$6,655	5,537	$150	218	50
49	**H. M. Payson & Co.** One Portland Square, 5th Floor Portland, ME 04101	207-772-3761 www.hmpayson.com	$6,751	3,376	$6,233	3,189	$518	187	32
50	**Altair Advisers** 303 W. Madison St., Suite 600 Chicago, IL 60606	312-429-3000 www.altairadvisers.com	$6,683	808	$2,261	459	$4,422	349	60

Methodology: *InvestmentNews* qualified firms headquartered in the United States based on data reported on Form ADV to the Securities and Exchange Commission. To qualify, firms must have met the following criteria: (1) latest ADV filing date is within the past 12 months, (2) total AUM is at least $100M, (3) does not have employees who are registered representatives of a broker-dealer, (4) provided investment advisory services to clients during its most recently completed fiscal year, (5) no more than 50% of amount of regulatory assets under management is attributable to pooled investment vehicles (other than investment companies), (6) no more than 25% of amount of regulatory assets under management is attributable to pension and profit-sharing plans (but not the plan participants), (7) no more than 25% of amount of regulatory assets under management is attributable to corporations or other businesses, (8) does not receive commissions, (9) provides financial planning services, (10) is not actively engaged in business as a broker-dealer (registered or unregistered), (11) is not actively engaged in business as a registered representative of a broker-dealer, (12) has neither a related person who is a broker-dealer/municipal securities dealer/government securities broker or dealer (registered or unregistered) nor one who is an insurance company or agency.

MARKETING SHARE

ATTRACTING NEW CLIENTS WITH A SIP AND A SMOKE

By Jeff Benjamin

Top row, far right, Eric Reinhold, Ameriprise Financial; Brian Tatom, executive director, client advisor, J.P Morgan Asset Management; and other attendees at a "Cigar & Whiskey" gathering.

From left, Eric Reinhold, Howard G of Howard G Cigars.

Center, Eric Reinhold; and "Cigar & Whiskey" attendees.

When it comes to marketing his financial planning services, Eric Reinhold has found there's nothing quite like a fine cigar and a glass of top-shelf whiskey for fueling relaxed conversations.

"I jokingly say that a cigar is just a prop to get guys to talk to each other," he said. "It is amazing how deep people will go in conversations about life issues when it takes an hour and a half to get through a cigar. You quickly get past the discussions of sports, the weather and what you do for a living."

Reinhold, a financial adviser with Ameriprise Financial in Orlando, Florida, has leveraged his marketing prowess to upgrade and fine-tune the classic "free chicken dinner" client prospecting event with his more relaxed "Cigar & Whiskey" gatherings.

"I try to make it feel exclusive, but it is surprisingly easy to get clients and centers of influence to bring their friends to a pairing of a high-end cigar and top-shelf spirit," he said.

Reinhold, 57 and a 28-year veteran of wealth management, organized his first event in 2014 by bringing together a few friends and centers of influence he already knew for a good smoke.

He then recruited wholesalers to sponsor the gatherings, and Cigar & Whiskey was born.

Reinhold typically schedules eight of these events per year, inviting a mix of between 10 and 15 clients, prospects and centers of influence to each gathering, which usually take place at an Orlando-area cigar bar. But he has also hosted groups at his home.

"It's amazing how people will fall over themselves to come to something with $15 or $20 cigars," he said. "It has even gotten to the point where some of my regular client meetings include smoking cigars."

KEEPING IT LOW KEY

Reinhold said he intentionally keeps the gatherings "low key" and void of sales pitches from himself or the wholesale representative who will also partake in the smoke and spirits.

Aside from introducing the wholesaler as the event sponsor, if there is any presentation it typically comes from the cigar bar owner describing the evening's smoke and its whiskey pairing.

Although the sponsor isn't getting a formal platform to present products and strategies, the casual nature of the gathering offers a different level of value to a wholesaler, said Nicole DeLuise, regional manager at Lord Abbett.

"I really enjoy the events because it gives me a chance to connect with Eric outside the office and meet with some of his clients," she said. "It gives me a real feel for what investors are focused on and what they care about."

DeLuise said Lord Abbett typically sponsors one Cigar & Whiskey event a year and "that's when I smoke my annual cigar."

"Any time I do an event it's usually a lunch, or a dinner or a seminar, and those are all great, but Eric is the only one that gets together like this with this kind of shared interest with his clients," she said.

SCAN CODE FOR '3 QUESTIONS' VIDEO WITH ERIC REINHOLD

Part of what makes it easy to recruit wholesaler sponsors is that Reinhold keeps the total cost under $500.

"There are times when people might ask for sponsorship to bring clients to ballgames or for renting out an entire hall," DeLuise said. "But this is not a huge monetary commitment, and it is so impactful to his clients. It's a win across the board."

While wealth management is never officially on the agenda, DeLuise said she will occasionally get questions from some of Reinhold's clients about the financial markets. But even those conversations are less formal.

"It's usually an honest and more candid dialogue where they're not sitting in a room raising their hand and everyone is listening to their questions," she said.

A SLOW BURN

In terms of Reinhold's return on investment, the events, like a good cigar, are a slow burn. At the most recent gathering in late July, the group included four clients, four prospects, and two centers of influence.

"The guys who come regularly know this is something where I'm trying to get clients over time, so I ask them to think of someone they could bring," Reinhold said.

Reinhold, who manages $100 million in client assets, said that over the past three years he has added 12 new clients that combined for $7 million in new assets.

"What I have also found is that the cigar clients don't just refer other cigar smokers to events," he said. "One of them referred his mother, who doesn't smoke cigars, and she moved over $1.3 million."

While cigars are the main theme, Reinhold said he isn't working only with cigar smokers, nor is Cigar & Whiskey his only marketing effort.

"Certainly, this is my No. 1 marketing effort, but I also participate in the events hosted by Ameriprise," he said. "But I really enjoy the atmosphere when we get together over cigars. And it goes way beyond whatever you could talk about while being distracted at a sporting event."

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Invest in Others

Congratulations to our 2022 IiO Awards Finalists!

The Invest in Others Awards program recognizes financial advisors who are making a difference with charities across the country and around the world.

Winners will be announced on Thursday, September 29 at our 16th annual gala in Boston.

Catalyst

Evan C. Deoul
Charles R. Dunn
Alana Scott

Community Service

Jason DiLauro
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Dave Weeks

Emerging Impact

Daniel Drabinski
Ashley S. Waddington
Aron Weingard

Lifetime Achievement

Frederick Hussey
Gail Perry-Mason
Elizabeth Shepard

Volunteer of the Year

Lyn Adams
Rick Van Benschoten
Susan Youngsman

Collectively, these IiO Awards Finalists contributed and served:

Volunteer Hours/Month	Annual # of People Served	Average # years involved
390	54,236,013	13

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Analysis & Commentary

RETIREMENT

Facing a third hike in the premium for our long-term care coverage

MARY BETH FRANKLIN

ONRETIREMENT

Health care costs are one of the leading risks to a secure retirement, yet retirees tend to worry more about market risk than about outliving their money or facing expensive bills for medical and long-term care, according to a new report from the Center for Retirement Research at Boston College. The stock market's rocky performance during the first half of 2022 has surely heightened those concerns about market risk.

But I was reminded of my personal long-term care risk — and the cost of protecting against it — when I received a notice recently of a premium hike for the LTC insurance policies that my husband and I bought 16 years ago, when we were in our 50s. This is the third round of premium increases since we purchased the policies in 2006.

Low interest rates that have hobbled insurers' investment returns, increased longevity and lower-than-expected lapse rates have all contributed to the repeated need to increase LTC premiums. But understanding the reasons behind a price hike doesn't make it any easier to swallow. It's time (again) to reassess our LTC policies and review our options.

Over the past two decades, financial advisers and consumers have moved away from traditional LTC insurance and toward hybrid products, such as life insurance and annuities with LTC riders. Stand-alone LTC policies became harder to buy, with fewer insurers selling new policies, tougher medical underwriting, and higher premiums.

But having committed to buying LTC insurance years ago, my husband and I are reluctant to give it up. We received notice that the monthly premium on our John Hancock long-term care insurance will rise by 26.8% in mid-October if we want to keep our existing policies. Although John Hancock stopped selling stand-alone LTC insurance in 2017 in favor of life insurance policies with LTC riders, the company continues to service existing policies.

"When you are notified that your long-term care insurance policy premium will be increasing, the insurance company will give you options, and they are worth considering," said Jesse Slome, executive director of the American Association for Long Term Care Insurance. The association provides a host of LTC data on its website, including typical premiums, claims data and cost of care.

Just as investors should review their portfolios and rebalance them from time to time, notification of an LTC insurance premium hike provides an opportunity to review existing coverage and alternatives, Slome said.

Most people's long-term care insurance will pay some but not all of the potential costs, as consumers have gotten used to sharing costs with insurers in the form of co-payments and deductibles.

In addition, your personal financial situation may have changed, making you more able to shoulder some LTC costs from savings or current income, Slome said. For example, 16 years ago, my husband and I still had a mortgage and were paying for college for our kids. Today, those costs are history.

Our current policies would cover each of us for up to four years of care at home, in an assisted living facility or a nursing home after a 90-day elimination period. Our shared benefit option would allow one of us to borrow from the other spouse's benefit pool if necessary.

We've invested about $70,000 in LTC premiums over the past 16 years. If we decided to call it quits today, we could stop paying premiums and have access to paid-up policies worth about $50,000 each but would forfeit the shared-care option. That wouldn't buy much long-term care in 10 or 15 years.

> **KEY POINTS**
> - Premium hikes reflect low interest rates and rising longevity.
> - Stand-alone LTC policies have become harder to buy.

The last time we faced this choice in 2020, we avoided a 35% premium increase by agreeing to reduce our annual 5% compound inflation protection to 3.2%, which is about standard for current LTC policies and riders. The 2020 policy adjustment followed a 23% premium increase in 2012.

Translated into dollars, the initial premiums for our two policies were about $3,800 a year in 2006. Today we pay about $4,700 per year and if we accept the new higher premium, our LTC insurance cost will rise to about $6,000 per year. Or we could keep our current premium and scale back on annual inflation adjustment, reduce our daily benefit amount, or agree to a shared-cost option.

Despite the current inflationary environment, we'll probably opt to reduce our inflation adjustment to 1.9% compounded annually. Thanks to the generous inflation adjustments in the past, our maximum daily benefit amount has more than doubled to $423 today, and our lifetime policy benefit now tops $617,000 each. That would pay for a lot of long-term care that I hope neither of us will ever need.

Holding the line on premiums today will give us more wiggle room in the future, because we know this won't be the last rate hike. The John Hancock notification letter specifically stated that an additional increase may be coming in the future. We've been warned that we may have to review and rebalance our long-term care plan again.

(Questions about new Social Security rules? Find the answers in Mary Beth Franklin's new 2022 ebook at MaximizingSocialSecurityBenefits.com.)

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PRACTICE MANAGEMENT

Is this the time for advisers to be more transparent about their fees?

INSIGHTS
JEFF BENJAMIN

For financial advisers collecting fees pegged to the size of client portfolios, 2022 has become a unique live-fire exercise for all those pitches about sitting on the same side of the table as their clients.

While the equity markets have recovered slightly from the June lows, the broad market indexes are still down significantly from the peaks of late last year, and there's no good reason to assume the worst is over.

We know most advisers are not positioning clients to be 100% exposed to the equity markets, but whatever the allocation, advisory fees based on assets under management are certainly taking the biggest hit in more than a decade.

When you add to that the impact of inflation at a 40-year high and sweeping pay increases for most working Americans, it presents an inopportune time to be charging asset-based fees.

"It's the way it works; you participate in the gains as assets and fees grow, and you participate on the downside," said Tim Holsworth, president of AHP Financial.

"I think this makes perfect sense if you truly want to be on the same side of the trade as your clients," he added. "There should be incentive to do a good job, and keep accounts growing, and there should be consequences for accounts that go down in value."

There you have it. Putting a positive spin on a macroeconomic-driven pay cut is really all advisers who charge AUM fees have right now.

UP MARKET, DOWN MARKET

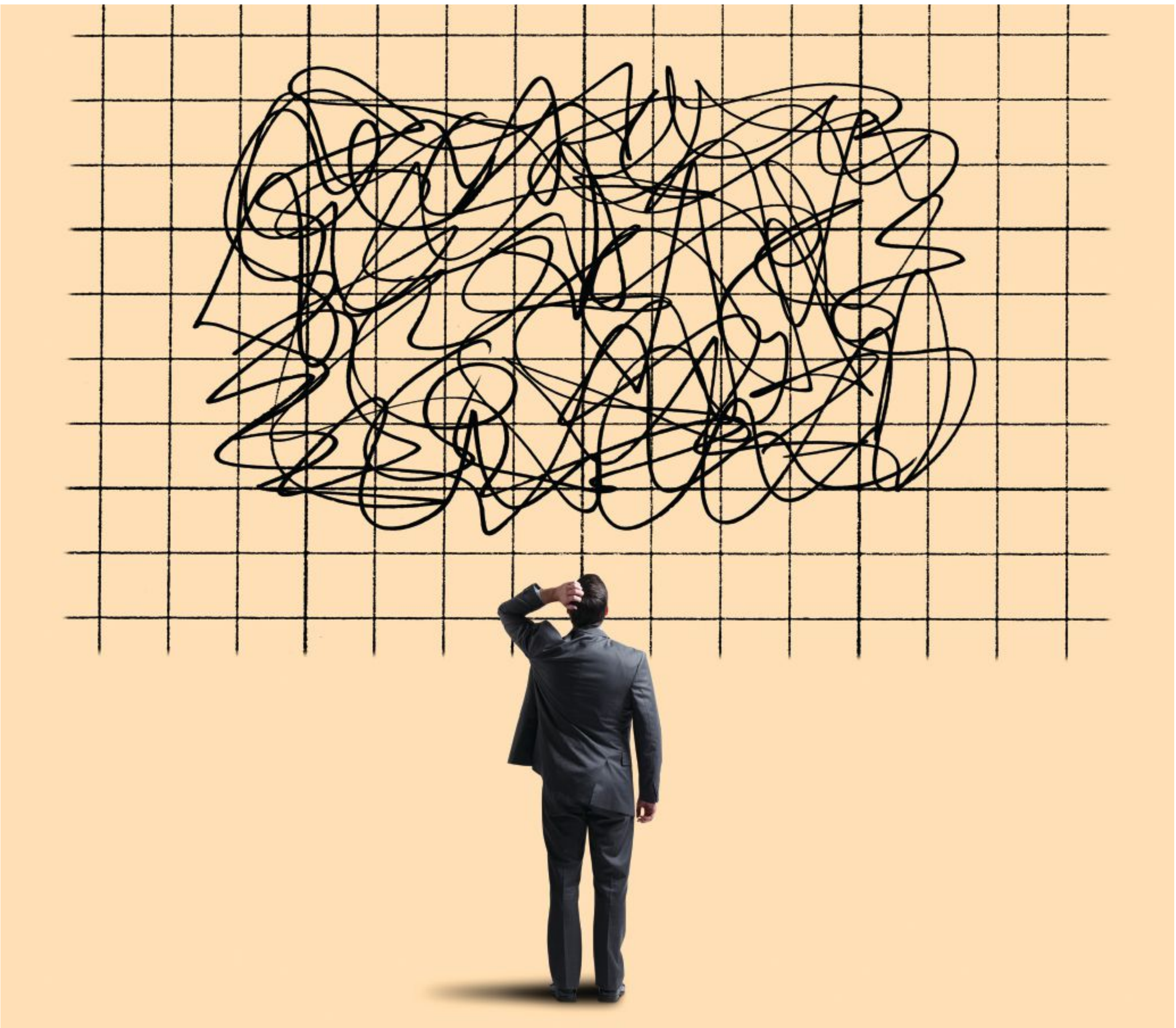
"I don't think anyone on Earth is shedding any tears because advisers' incomes are down this year," said Paul Schatz, president of Heritage Capital.

"Down markets are part of the business as is lower fee income," he added. "When markets go up, up, up and advisers income does the same, it's also part

CONTINUED ON PAGE 20

IRAs

Clearing up clients' confusion about calculating RMDs on inherited IRAs



Before the SECURE Act, there was the stretch IRA, which was relatively simple for advisers and clients to calculate for beneficiaries.

But now, after the SECURE Act and the recent plot twists added by the proposed IRS regulations, even common beneficiary scenarios are overly complex to figure out.

IRAALERT
ED SLOTT

Let's look at a typical situation an adviser might be asked about. This is an actual question we received, and the answer was not simple.

When Grandma died in 2021, she had two individual retirement accounts, which she left to her granddaughter. One was hers and the other was an IRA Grandma inherited from her brother. What are the required minimum distributions from each IRA for the granddaughter?

Before the SECURE Act, this would have been easier to figure out, but not now.

The granddaughter doesn't get the stretch IRA because she inherited after 2019, when the SECURE Act rules became effective. Although she's a minor, she doesn't qualify as an eligible designated beneficiary, or EDB.

Under the SECURE Act, EDBs still qualify for the stretch IRA if they're named on the beneficiary form. That makes them a designated beneficiary and they would qualify to spread (or stretch) RMDs on their inherited IRAs over their lifetimes.

Although a minor child is an EDB (until age 21), a grandchild is not. The minor must be the child of the deceased IRA owner. So in this case the granddaughter isn't an EDB and doesn't get the stretch IRA. Instead, she's subject to the 10-year rule, under which the entire amount inherited must be withdrawn by the end of the 10th year after death.

Even that sounds somewhat easy, but due to the recent IRS RMD rules, if the IRA owner's death occurs after the required beginning date, or RBD, then the beneficiary must also take RMDs for years one through nine based on the beneficiary's life expectancy (like the old stretch IRA, but only for the first nine years of the 10-year term). Then the remaining balance must be withdrawn by the end of the 10th year.

Then there's the other IRA, which Grandma inherited from her brother and which she left to the granddaughter. This adds another layer of RMD complexity.

Let's get back to the question: What are the RMD implications when Grandma dies and leaves both her own IRA and an inherited IRA to her granddaughter?

If you as the adviser faced this common question, would you be able to give the right RMD answer? Let's see.

FACTS

Grandma Edna was born in 1940 and died in 2021 at age 81.

2011: Grandma Edna inherits an IRA from her brother Jack, who was two years younger (born in 1942). Jack was 69 at his death, so he died before his RBD.

2012: Grandma Edna begins taking stretch IRA distributions from the inherited IRA based on her age, which is 72.

2021: Grandma dies. When Grandma Edna dies, she leaves both her own IRA and the IRA she inherited from her brother to her granddaughter. Ava is 17 when she inherits the two IRAs in 2021.

IRA NO. 1: GRANDMA'S IRA

Ava is 17, but she's not an eligible designated beneficiary, because she's not the child of the deceased IRA owner, she's the grandchild. She's a non-eligible designated beneficiary and subject to the 10-year rule. She must empty this inherited IRA by the end of 2031 (the 10th year after Grandma's death in 2021).

However, since Grandma died after her RBD, under the IRS proposed regulations Ava must take RMDs in years one through nine after her Grandma's death, based on Ava's age (18) in the year after death. A good way to determine whether RMDs are required within the 10-year period is to remember that RMDs can never be turned off. If the previous account owner was taking RMDs, the beneficiary can't turn them off — annual RMDs must be made in addition to the 10-year rule applying.

To determine the RMDs for years one through nine, divide the account balance on Dec. 31 of the prior year by a life expectancy factor determined from the Single Life Table.

The Single Life Table shows Ava's factor as an 18-year-old is 67.0 years. That factor is reduced by one year for each of the succeeding years (years two through nine), and then any remaining balance must be withdrawn by the end of year 10 (by the end of 2031) as shown on the chart below.

AVA'S RMD REQUIREMENTS ON GRANDMA'S IRA

YEAR AFTER DEATH		LIFE EXPECTANCY FACTOR
Year 1	2022	67.0
Year 2	2023	66.0
Year 3	2024	65.0
Year 4	2025	64.0
Year 5	2026	63.0
Year 6	2027	62.0
Year 7	2028	61.0
Year 8	2029	60.0
Year 9	2030	59.0
Year 10	2031	Remaining balance must be withdrawn by Dec. 31

PLANNING NOTE

Remind clients that the RMDs for years one through nine are only the minimums that must be withdrawn. The beneficiary can always withdraw more each year to smooth out the tax bill over the 10-year term. This can help avoid a big tax hit in year 10.

IRA NO. 2: INHERITED FROM BROTHER

Grandma was born in 1940, and she inherited from her brother Jack in 2011, when she was 71. Therefore, her stretch period begins the year after (in 2012) based on her age that year of 72.

Looking at the new 2022 Table (because the life expectancy must be reset to the new table), the life expectancy for a 72-year-old is 17.2 years, with the first RMD beginning in 2012. That 17.2-year factor is reduced by one year for each year until Grandma dies in 2021 (nine years later).

SUCCESSOR BENEFICIARY

Granddaughter Ava inherits in 2021. But since this is an inherited IRA, Ava is a successor beneficiary, or the beneficiary's beneficiary, so she is subject to the 10-year rule.

But since Grandma had already begun taking RMDs on this inherited IRA, under the new IRS proposed regulations, Ava must take RMDs for years one through nine after Grandma's death. (Remember, RMDs can't be turned off.)

Since Ava is a successor beneficiary, she can't use her own life expectancy, as she could on the RMDs from Grandma's own IRA. She must continue Grandma's remaining RMD schedule beginning in 2022 (the year after Grandma's death). This is reminiscent of the old "step into the shoes" of the first beneficiary rule.

See the chart on the right for the RMDs on Grandma's inherited IRA:

Note that Ava will not receive the full 10-year payout term on this inherited IRA, even though she is subject to the 10-year rule!

Also note that if Grandma hasn't yet taken her year-of-death RMD in 2021, then Ava would be responsible for that RMD.

How well did you do on this one? And this is just one common RMD scenario advisers will likely be asked about at some point. Thanks to both Congress and the IRS, figuring out beneficiary RMDs is now much more convoluted than ever. Hopefully, this example helps.

For more information on Ed Slott and Ed Slott's 2-Day IRA Workshop, please visit www.IRAhelp.com.

AVA'S RMDs ON IRA GRANDMA INHERITED FROM BROTHER

	LIFE EXPECTANCY FACTOR	
2011		Jack's death (Grandma is 71)
2012	17.2	First year of RMDs using a base factor (age 72)
2013	16.2	
2014	15.2	
2015	14.2	
2016	13.2	
2017	12.2	
2018	11.2	
2019	10.2	
2020	9.2	
2021	8.2	Grandma dies; granddaughter inherits
2022	7.2	Ava's first RMD
2023	6.2	
2024	5.2	
2025	4.2	
2026	3.2	
2027	2.2	
2028	1.2	
2029	.2	Balance must be withdrawn in full

B-D advisers had a soft landing in the first half, despite the bear market

The first half of the year was a dire period for the stock market and the investing public. The bear market was back! Be scared! Run away!

Headlines blared that the broader market, with the S&P 500 down 20.6%, was off to its worst start in 50 years — back when the Watergate break-in had just occurred, and teens were still hoping The Beatles would get back together.

BRUCE KELLY

ONADVICE

That's a long time ago. So, why doesn't the market downturn feel more historically awful for financial advisers, like the dot-com burst of 2000 or the mortgage crisis of 2008?

The first half of the year was a terrible start, but not for all in the broader financial advice industry, with its 320,000 professionals licensed to sell securities at broker-dealers or registered investment advisers.

SOFT, BUT TURBULENT

Indeed, financial advisers who work at large brokerage firms — think LPL Financial, Ameriprise Financial and Wells Fargo Advisors — did not crash and burn, despite the market's swift and sharp decline. Instead they had a pretty soft — though a bit turbulent — landing over the first half of the year.

That much was evident from the financial results reported recently by the three companies cited above. They can act as stand-ins for the rest of the financial advice industry — they account for roughly 42,000 financial advisers, after all.

To reiterate: The S&P 500 was down almost 21% for the first half of the year, so average revenue per adviser on a rolling, 12-month basis should have taken a severe hit. But that didn't happen — most likely because of the recent spike in interest rates. Big firms and financial advisers had also created a built-in revenue cushion of sorts due to last year's record stock market highs and record profits raining across the wealth management industry.

LPL Financial this month reported annualized revenue per financial adviser at the end of June of $308,000, down 5.5% from the end of last year when it was $326,000.

Ameriprise Financial and Wells Fargo Advisors actually reported increases; Ameriprise uses the metric of adjusted operating net revenue per adviser, while Wells Fargo Advisors calls it annualized revenue per adviser.

Also, for the end of June, Ameriprise reported $814,000 of revenue per adviser, an increase of 2.3%, and Wells Fargo Advisors a bump of 3.6% to $1.21 million.

These numbers aren't static, of course, and some in the industry don't trust how the large firms do their math when it comes to financial adviser head counts and revenue. And large brokerage firms offset revenue declines by recruiting new advisers and goosing advisers with compensation to add more new clients and assets.

FACTORING IN INTEREST RATES

Trying to fight inflation, the Federal Reserve aggressively hiked interest rates this year, which helps increase revenue at brokerage firms because they make money from clients' holdings in cash.

"Interest rates are going up, and the big firms make money on the spreads on money market accounts, cash balances and margin lending," said Danny Sarch, an industry recruiter. "Making money on cash spreads is a big deal. When you talk to the branch managers at the large firms, that's been one of their biggest challenges, what to do with zero percent interest rates."

The large firms have created a buffer of sorts to this downturn with their banking businesses and connections. The question is, what has happened to revenue at small or midsized registered investment adviser firms, which operate much more as pure asset managers than broker-dealers, which have a variety of revenue streams?

There's no way of knowing the extent of the pain those RIAs felt on their top line in the first half of the year. What we do know is the bear market of 2022 has not caused a crash landing for many financial advisers at large firms.

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ADVISER FEES

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of the business and usually way ahead of inflation. I have always said that in runaway bull markets, I have less stress, more new unsolicited business coming and an easier workload with higher income. In bear markets, I work harder, have more stress, fight harder for new business, and make less money."

"I DON'T THINK ANYONE … IS SHEDDING ANY TEARS BECAUSE ADVISERS' INCOMES ARE DOWN."

PAUL SCHATZ, PRESIDENT, HERITAGE CAPITAL

Working harder for less money might not be the winningest marketing message, but it could open the door to a more candid discussion about fees at a time when advisers are experiencing the sting of being on the same side of the table as their clients.

Fees are a perennial hot topic across financial planning, where everybody seems to be claiming the least conflicted means of getting paid. Most folks don't begrudge professionals doing the important work of financial advice for making a decent living, but why do advisory fees have to be so confusing and opaque?

Earlier this year, I helped a friend sever ties with an adviser she had been working with for years when it became clear that she had no idea what she was being charged for portfolio management. Even after a 45-minute phone call with the adviser, neither of us could understand exactly how or how much she was being charged.

My friend would not fit most definitions of a sophisticated investor, but she does qualify as a wealthy high earner, which is probably why the fired adviser took it so hard.

FEES ON THE BRAIN

I write and talk a lot about advisory fees — too much, according to some of the feedback I get from advisers — and I understand there are myriad ways to skin a cat, with apologies to cat lovers and cats.

I can also appreciate the appeal of asset-based fees that are quietly deducted from client accounts throughout the year, regardless of economic cycle or stock market direction.

Underscoring my aversion to generalizations, I know there are advisers out there presenting fees with super transparency. My favorites are those firms that post advisory fees clearly on their websites in plain English, complete with fee calculations against various portfolio sizes.

My least favorite are those advisers who can't or won't explain their fees in simple language.

If there was ever a good time to do that, it's now.

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ADVISOR GROUP

CONTINUED FROM PAGE 2

announced. He stressed that the equity investment in Signature Estate & Investment Advisors was to enable the firm to expand geographically and get its money management platform in front of more financial advisers.

Brian D. Holmes is the president and CEO of Signature Estate & Investment Advisors. According to the firm's website, Signature has 12 financial advisers and another 13 executives or partners who hold the certified financial planner designation.

Terms of the deal with Reverence Capital Partners and Advisor Group were not disclosed.

"There are two parts of Signature," Holmes said in an interview last Thursday, "The RIA firm where we'll be hiring advisers to and the [turnkey asset management platform] part we'll be offering to other advisers."

RECENT ACTIVITY

Meanwhile, Advisor Group's investment bankers have been busy recently. In May, the firm said it had agreed to buy a bank-focused broker-dealer, Infinex Investments Inc., with 750 financial advisers who control more than $30 billion in client assets. The next month, Advisor Group announced that it had struck a deal to buy American Portfolios Financial Services Inc., a large independent broker-dealer with 850 advisers across the country who work with close to $40 billion in client assets.

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HEDGE FUND

CONTINUED FROM PAGE 2

to revealed its position in LPL Financial Holdings back in 2015, the shares were trading close to $42. Last Wednesday afternoon, share of the company were trading at $228, or more than five times the share price paid by Marcato.

Marcato Capital eventually shut down, according to reports.

Lone Pine Capital's position in LPL Financial Holdings falls short of the level that would require a new investor to release a statement about its position, as Marcato Capital did in 2015. Instead, the hedge fund disclosed its ownership stake in LPL Financial Holdings in a quarterly filing earlier last week with the SEC.

A spokesperson for the Greenwich, Connecticut-based hedge fund said last Wednesday that the firm declined to comment. A spokesperson for LPL Financial Holdings did not comment.

According to the filing, Lone Pine Capital has 2,289,151 shares of LPL Financial Holdings, for which it paid $422.3 million. With shares of the brokerage and RIA firm trading around $228, the hedge fund's position in the company equals $521.9 million, so Lone Pine Capital has already made roughly $100 million on the trade.

According to its website, Lone Pine Capital was founded in 1997 and uses long/short as well as long-only investment strategies. It has $35.5 billion in assets under management, according to the most recent Form ADV it filed with the SEC, and Stephen Mandel is a managing director.

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CREATIVE PLANNING

CONTINUED FROM PAGE 3

perfect match. Wipfli Financial shares the same core values that we instill at Creative Planning, and we are excited to hit the ground running."

Creative Planning has already closed more than a dozen deals this year, and Mallouk said he sees "more deals coming across my desk than ever."

Firms are coming to market, he added, because of the pressure to gain scale in an environment that experienced very little organic growth over the past few years.

"There's a huge number of transactions in this industry, and the number of firms capable and interested in acquiring has tripled over the last couple of years," he said.

Mallouk said a key driver behind the deals is all the deal activity.

"A lot of these people are seeing firms show up in their backyard with all these capabilities," he said. "The space is getting increasingly competitive, most RIAs are not growing at all, and there's some awareness that to compete you have to be able to grow."

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WEALTHFRONT

CONTINUED FROM PAGE 3

it funded in 2016.

Wealthfront's allocation to the Vanguard Energy ETF (VDE) and Morgan Stanley's allocations to a commodities ETF and a pipeline ETF were standout contributors, wrote David Goldstone, manager of the investment research at Condor Capital.

Condor's Personal Capital portfolio also did well in the first half of 2022 thanks to allocations to gold and commodities, the report found.

The worst-performing robos during the first two quarters were Wells Fargo's Intuitive Investor and TD Ameritrade SRI, according to Condor Capital's data.

"The most prudent investment one may make is to combine growth-oriented robos with those that have higher allocations to value stocks and inflationary assets," Goldstone said in a statement.

While 2022 so far has been one of the worst years in history for fixed income, Condor Capital found Marcus Invest, Goldman Sachs' robo-adviser, took three of the top four year-to-date fixed-income performance spots thanks to a combination of low-duration bonds and municipal bonds, said Thomas Leahy, senior financial analyst at Condor Capital.

While allocations to growth stocks have performed better over longer periods, Wealthfront has outperformed growth-oriented robos over three- and five-year periods thanks to a 10% allocation to energy. Wealthfront also allocated significantly to municipal bonds, which has helped performance in 2022.

Investment performance along with the digital experience for investors, online planning tools, customization with direct indexing and low fees all contributed to Condor Capital's naming Wealthfront the second-best best overall robo-adviser.

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SCHWAB EXEC

CONTINUED FROM PAGE 3

accounts, but it does provide an opportunity to really get used to the platform.

***IN:* You say Schwab's investment in technology is three times the rate before the integration. What exactly does that mean?**

AD: We primarily talk about it in terms of the investment dollars that we've placed in the platform. It has certainly resulted in a much stronger velocity and pace of change that we're introducing to the platform. It has allowed us to really roll out additional capabilities in advance of the upcoming integration for advisers … both for Schwab advisers who are on the platform already as well as offer a really robust digital landing spot for when the Ameritrade advisers join.

***IN:* Digital onboarding has been a big focus for Schwab, but what else can you tell me about the road map and specific areas that you are investing in?**

AD: Digital onboarding is going to continue to be a strong investment area for us. When we launched in June with multiple accounts, that was a big step forward so that advisers could focus on onboarding households versus onboarding individual accounts one at a time.

The second piece that I would talk about is our continued investment in the move-money space. Cash transactions are one of the highest-volume activities that we see advisers do. We're continuing to invest in that space.

Another space that I would point to is the expansion of our integrations. This is going to be a constant place where we're continuing to look to grow.

And then I think the last space I talk about is really in trading and investment management. The primary focus right now is around how do we bring [portfolio rebalancing software] iRebal, [trading platform] thinkpipes and the Model Market Center into the Schwab platform.

***IN:* What did the recent Benchmarking Study show about advisers who are adopting the technology you're putting out there and how it's helping them?**

AD: The Benchmarking Study [shows] top-performing firms are seeing a 20% give-back in time against operational tasks for clients, allowing them to refocus that time toward more value-add interactions.

What we hear from advisers matches the data we see in the study. Our product teams engage with advisers very actively and very regularly, both to understand what we should build next but also to understand how they've adopted and how they're using tools that we've most recently put into market. Resoundingly, we're hearing from advisers this concept of "thank you for giving me time back" in every little piece of their day when they're able to do something faster and it gets done the first time. We often forget to talk about how most analog channels are error-prone. We see a 30% error rate with most channels other than digital when advisers are trying to open accounts. It's well under 5% when we think about digital flows.

***IN:* What else are you hearing from advisers about challenges they're experiencing, or concerns you're addressing?**

AD: Advisers are balancing complexity in their own practices, wanting choice in their technology solutions but also balancing the number of integrations that they will then have to manage. Our intent is again to serve advisers of all sizes, and that includes advisers who are looking for full-bore solutions directly from us as their custodian. A good example of that is [portfolio management software] Portfolio Connect. We've got several advisers who might use their own portfolio management tools, but if a custodial solution fits their needs, we want to be there and have something in market for them to use. Historically we saw a shift to a more customized tech stack, but we are starting to hear advisers consider a more simplified integration model. I'm interested to watch that trend mature and see where advisers choose to be.

The second piece of what we hear a lot from advisers is that data is king. They are investing a lot in their data capabilities. A lot of advisers are investing in being able to drive their own client insights. Whether that's through leveraging more robust CRM tools or actually centralizing into a data warehouse, we're hearing a lot of that as well.

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WEALTHY CLIENTS

CONTINUED FROM PAGE 4

lion and repurchases made by registered investment companies and real estate investment trusts.

The changes were advocated by the Investment Company Institute, which represents the mutual fund sector. ICI spokesperson Stephen Bradford said the organization was trying to protect people who are saving for retirement and other goals.

"People will continue to save," Lickwar said of the buyback tax. "It's just another nibble out of their retirement plan."

BEEFED UP IRS

Another way the Inflation Reduction Act is being paid for is through a more powerful IRS.

"If the existing rules are enforced more thoroughly, that alone should raise more money," Shapiro said.

The target of IRS audits likely will be wealthy Americans who may be trying to dodge tax payments.

"Increased funding for the IRS in the Inflation Reduction Act will likely result in more audits and overall IRS scrutiny of high-net-worth individuals," said Michael Kramarz, director of federal tax resolution at Kaufman Rossin.

The IRS is likely to use the increased funding to finance its Global High Wealth Program, Kramarz said, which "takes a holistic approach in addressing the high-wealth taxpayer population by reviewing the complete financial picture of these individuals and the enterprises they control."

WEALTH TAXES REDUX?

Even though the wealthy may have the IRS looking over their shoulders, it's a far cry from Congress directly raising their taxes. But lawmakers may not have completely abandoned the tax changes that fell by the wayside on the Build Back Better's transformation into the Inflation Reduction Act.

"These provisions have been drafted and are in the hands of [congressional] staff," Shapiro said. "If and when the politics allows for it, they are available to be re-proposed."

That ensures advisers and their clients will continue to monitor tax policy. "That upper middle-class feels targeted by what a lot of the Democratic Party is proposing," Cahn said.

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STRONGER IRS

CONTINUED FROM PAGE 4

ability to determine if their salary is fair relative to their owner's compensation profit."

THAT KNOCK AT THE DOOR

If the IRS knocks on your door, it doesn't necessarily mean you did something wrong, said Matt Chancey, an adviser at Coastal One. It just indicates you did something outside the norm that the agency wants to review more closely.

"If it's a legal strategy and it's going to save you hundreds of thousands of dollars, I would argue that the cost and inconvenience of an audit would be worth it," said Chancey, who specializes in tax planning. "The juice is worth the squeeze. But that's a decision each taxpayer has to make based on their own circumstances."

Not all of the $80 billion in new IRS funding will be devoted to enforcement. The money also will be used to fund taxpayer services, operations support and business systems, according to an analysis by EisnerAmper.

That could ease the frustrations of Rose Swanger, principal at Advise Finance. She has waited on hold for two or three hours at a time when she has called the agency on behalf of a client.

"WE NEED TO MAKE SURE EVERYTHING [CLIENTS] DO IS DOCUMENTED."

CRAIG TOBERMAN, FOUNDER, TOBERMAN WEALTH

"If increasing the IRS budget means a better service for both taxpayer and tax professionals, that's good for everyone," Swanger said. "From what I have seen and experienced so far, there's a long lag time on the notices sent to the clients and response time with the IRS."

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