

The

# Triad Times

Summer 2015

## The Rise of Generation D

Is Non-Traditional Retirement the New Norm? p. 4

## Spotlight On Jeff Brown

Balancing Purpose and Creativity p. 6



*“You must always be able to  
predict what’s next and then have  
the flexibility to evolve.”*

- Marc Benioff





*“If you have not already registered for this year’s conference, I would encourage you to do so as soon as possible since we are expecting a full house at the beautiful Boca Raton Resort and Club.”*

Greetings from the Home Office.

Can you believe summer is almost over and it’s time for school? That’s a signal of the upcoming National Conference! If you have not already registered for this year’s conference, I would encourage you to do so as soon as possible since we are expecting a full house at the beautiful Boca Raton Resort and Club. We have a great lineup of speakers, workshops and, of course, plenty of opportunities for you to interact with your colleagues.

One of the front burner items to discuss will certainly be the Fiduciary Standard proposal. This continues to be a hot topic in our industry and we are fortunate enough to have Dick Lampen, Jeff Rosenthal and Michael Bryan on the DOL Task Force committee. At the time of this writing, the comment period is wrapping up and we are cautiously optimistic the DOL will listen to the many concerns about how this proposal will impact our ability to serve clients to the fullest extent.

Another topic of conversation will certainly be the “robo advisor” or “digital advice.” We have a lot of great information to share and look forward to hearing more about what our leading hybrid RIA firms have or are in the process of implementing. We recently spent some time with Fidelity’s senior executives in Boston to delve into their extensive research on this thought-provoking topic.

On the technology front, we are in pilot with several offices with Connex and will continue our rollout through 2015. We are also expanding our presence with Albridge and leveraging more of the industry-leading capabilities through Streetscape and myStreetscape.

Please join me in congratulating Amanda Teeple from our Home Office. She was recently selected to join FSI’s Due Diligence Council which is comprised of 12 professionals from the finest firms in the industry.

In closing, I would like to thank the many advisors, partners and friends who attended our recent Open House Event. Thanks also to the Triad staff who did a wonderful job of hosting and showing off our new space.

I look forward to seeing you in Boca Raton. 🏖️

Sincerely,

*Mark C. Mettelman*

Mark C. Mettelman  
President & CEO

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# The Rise of Generation D

By Jackson National

**“Are we facing a fundamental shift in the path American workers may be choosing as they approach their golden years?”**

In December 2010, Pew Research Center<sup>1</sup> released the statistic that, beginning January 1, 2011, roughly 10,000 Baby Boomers would reach the age of 65 every day until at least 2030. In the several years following that finding, many people in the financial industry interpreted that statistic to mean many of these Boomers would also be retiring at a similar rate.

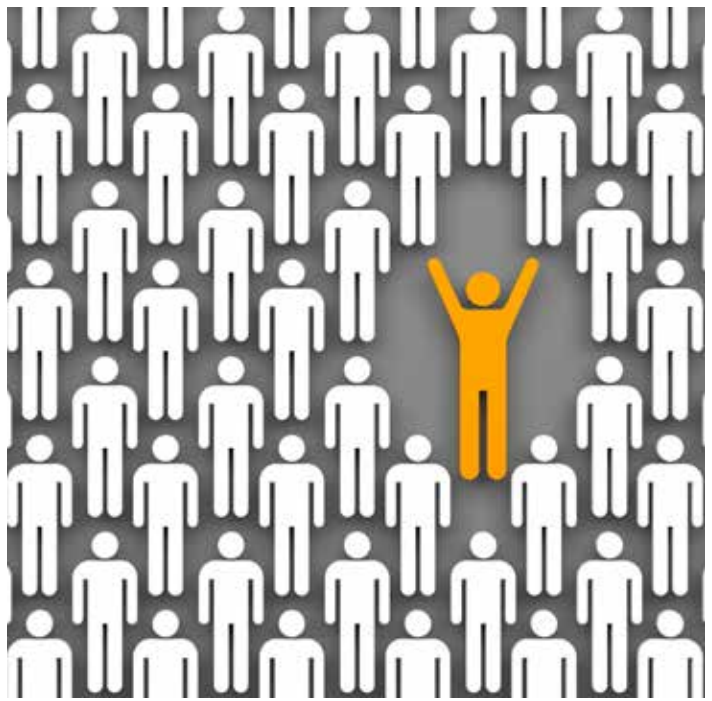
But are the two one and the same? Jackson and the Center for Financial Insight team distributed the 2015 “Defining the Future” survey to more than 2,500 investors in an attempt to capture insight into how pre-retirees view their financial future and how they will spend their later years. The results, now available on the Center for Financial Insight at [www.jackson.com/thoughtleadership](http://www.jackson.com/thoughtleadership), indicate that “retirement” is simply no longer easy to define. The question then becomes, “Are we facing a fundamental shift in the path American workers may be choosing as they approach their golden years?”

Across all demographics, we expected to see a large number of respondents who would classify themselves as members of what Jackson calls “Generation Delay” (Generation D). Unlike the traditional pre-retiree class of investor, which was set in a structured age range and had similar overarching investment or financial planning objectives, members of Generation D have a diverse set of needs, wants and goals, depending on what they expect their life will hold between the ages of 50 and 80.

Based on Jackson’s research,<sup>2</sup> we believe that the Baby Boomer generation will be the first in a line of future generations to re-define what “retirement” means for the U.S. worker. Specifically, we believe that many individuals will no longer exit the workforce simply because they reach age 65 or 70. Furthermore, we also believe that for those who do choose to leave the workforce, fewer will opt to embark on the “traditional” retirement journey.

These results have far-reaching applications, not just for those surveyed but for important stakeholders across the financial services industry:

- For investors, a continuing change in perception in how they plan to spend their financial future could impact their overall financial planning strategy, as well as how they plan to approach other personal and professional objectives moving forward.
- For advisors, the rise of Generation D may change how they position their financial practices to serve this new demographic. Specifically, members of Generation D will likely be searching for advisors who not only understand their unique objectives, but who can be equally effective in helping them pursue, later in life, a financial path that differs from the traditional retirement plan model.
- For financial services providers, the number of investors profiling themselves outside of traditional retirement ideals emphasizes the significance of crafting strategies flexible



**“For those who do choose to leave the workforce, fewer will opt to embark on the ‘traditional’ retirement journey.”**

enough to fit a wide range of investing and saving goals, as well as underscoring the vital importance of offering useful educational tools and materials specifically designed to add value for members of Generation D.

If you have any questions or would like to request a copy of the survey, please contact Dan Martin at [daniel.martin@jackson.com](mailto:daniel.martin@jackson.com).  
**By Dan Martin, Lead of Executive Communications**

Respondent Profile and Methodology: 2,662 total respondents completed the survey. All respondents were non-retired investors with \$100,000 or more in investable assets. All respondents were working in a full- or part-time capacity (87 percent working full-time) at the time of the survey. The survey was completed with the assistance of a third-party survey provider.

<sup>1</sup> Pew Research Center, “Baby Boomers Retire,” December 29, 2010.  
<sup>2</sup> Jackson, “Defining the Future Investor Survey,” Survey Distributed September 2014; Results Released January 2015

Investing involves risk, including possible loss of principal. The opinions and forecasts expressed are those of the author and individuals quoted and should not be construed as a recommendation or as complete.

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# Advisor Spotlight on Jeff Brown



Brown Advisory Group, LLC  
\$65M in AUM  
East Providence, RI  
Triad Advisor Since 2006



Jeff Brown is owner and sole advisor of Brown Advisory Group, LLC in East Providence, Rhode Island. Though a veteran of the industry, he'll be the first to tell you that flexibility is necessary as demographics, technology, products and regulation change. His focus has certainly evolved as his practice has grown over the years. This passionate entrepreneur balances creativity with purpose. Enjoy! **By Amy Rehn**

Jeff started in the financial services business after graduating from Bryant University. While his major was management, he was in the college's newly formed Entrepreneurship track and took as many finance electives as possible. "I was interviewing with a recruiter for a claims adjuster recruiter with Aetna. Not long into the interview I asked about the financial services side of the company." One thing led to another and within a week he was interviewing for a place in Aetna's Bold program (Build an Organized Life Department), which involved training and placing life producers in property casualty agencies. In Jeff's case, the property shop happened to be the oldest and largest insurance agency in Rhode Island and has an endless supply of warm leads, a great match for both. Jeff had a manager who understood his goals of becoming more than a "life agent" and who assured him there was a bigger plan in mind.

Not a year into his career, Jeff was in the right place at the right time. Already securities licensed and halfway to earning his Chartered Financial Consultant designation, the agency was in the process of acquiring a small property shop whose principal had been handling Travelers 403(b) accounts at two area hospitals for a few years. "It was far from a quality book of business and, in many respects, wasn't really an ideal situation. The prior rep, who had built the business over more than a decade, had taken advantage of many of the employees and, as a result, many had either stopped contributing or moved their monies elsewhere. And, then, the principal sold out and a 23-year-old kid is now handling employees' retirement."

Thankfully that kid wasn't like most others. In addition to possessing the character and maturity to handle the situation well, he was personally motivated. "Having grown up in the shadows of older brothers, one a doctor and another a 26-year-old physicist, I was

determined to prove myself." Over the course of several years, he more than tripled the number of participants and expanded the business to two additional hospitals, all while finding time to gain his CLU and ChFC designations. "It was both funny and ironic that in just a few short years, I ultimately displaced the rep who had originally recruited me. I became known for my expertise with TSAs."

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*"The stewardship an advisor provides will ultimately trump anything done on an automated, overly simplified basis."*

Jeff had always yearned to operate his own business and at the 11-year mark, the agency tried to pressure him into selling more profitable insurance lines. He sat for the CFP exam and then he and a colleague declared their own independence day. They joined what wasn't a full-fledged independent BD that was eventually acquired by MetLife. Once again the insurance world started to dominate business decisions which became an impediment to his practice. Suddenly advisors were required to send all clients with over \$1mm net worth through an advanced life insurance division whose sole goal was to sell insurance. The whole process was as far from independence as you could imagine, prompting Jeff to find a new home. Thankfully that led him to Triad. He interviewed 4 firms before making a decision. "Ultimately I was really impressed with

Mark and Nate. I sensed that protecting their brand was equally as important as growing it." As part of his move, Jeff decided to start his own RIA to provide insulation from future potential turmoil. "Triad was cooperative and even helpful in that endeavor as well." His initial fears about the firm outgrowing him or the culture dramatically shifting are long gone.

While his objective was always to practice financial planning, his personal clients didn't require as much planning, leaving room for his passion in asset management to grow. As such, the first 10 years of running his practice was more geared toward doing the heavy lifting, both in servicing the 403(b) book and stock research for investment management. The impetus came from his entrepreneurial spirit. Managing assets through Summit and Pinnacle allowed him to research and implement his own ideas on portfolio construction. Nevertheless, he soon realized it was a time consuming process and though he was passionate about it, it was inefficient to try and be all things to all people. He began utilizing third-party managers for a substantial portion of his book. Separately, about 5 years in, he decided to get out of the 403(b) business and apply a total wealth management approach for his remaining relationships, developing more of a boutique experience. "I continue to incorporate valuable ideas and concepts; specifically in working with some of the alternative products." After the collapse in 2007, he began to explore options in the alternative investment space. Not just from a diversification standpoint, but an opportunistic perspective. He did his homework first, attending Triad's Alternative Investments Conference and digging into the products. "I became comfortable

with several providers and felt they filled a great need." As a result, he took advantage of great valuations in the non-traded REIT space; introducing them to clients in 2010. "It was a win for all parties."

Jeff communicates with his clients via telephone and in office meetings predominately. Among other tasks, he has charged his capable assistant with managing a concierge experience for day-to-day communications. "She not only helps me use my time wisely but creates consistency for clients." Having her handle their more simple inquiries has helped build confidence in the operations of the practice.

Client events were something Jeff was a bit afraid of initially based on a diverse demographic. He pulled the trigger with a holiday event a few years ago that featured a clinical psychologist and nationally syndicated talk show host. She spoke about the emotional impact of retirement, money and change in a person's life. "She did a fantastic job explaining the needs of clients outside of direct financial advice; that life issues can dramatically affect them." The audience included divorcees, widows and those with empty nest syndrome, so the message was impactful. A special touch Jeff added was having his 2 daughters act as greeters, allowing clients to relate to him on a more personal level.

Jeff also hosted several high-end meetings when there were listing events with the non-traded REIT opportunities. He booked nice

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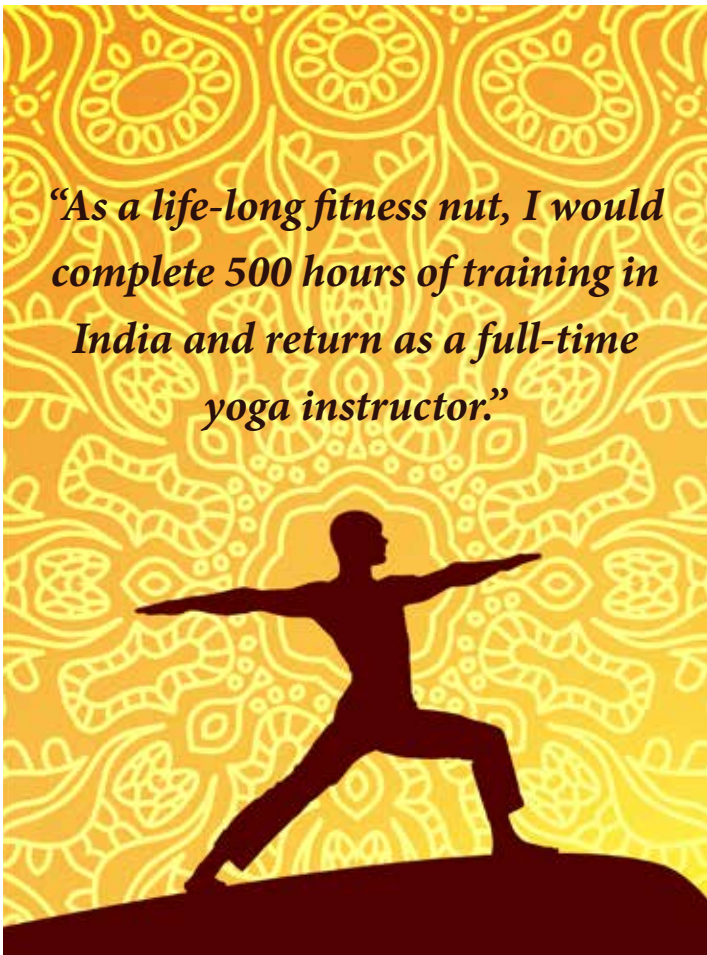
>> *Continued from Previous Page, Advisor Spotlight on Jeff Brown*

restaurants, served cocktails, wine and cheese while a cellist and violinist played, creating a classy, upscale atmosphere. “These small celebrations fit right into the nature of successful wealth management and affluence.”


Marketing is an area where Jeff attempts to stretch beyond the normal to create a stand-out message around his value. For his firm’s 15-year anniversary he wanted to celebrate with his clients in a manner that would inspire positivity. Being a bit of a car junkie, and wanting to build on the concierge service level, he decided to purchase a corporate Mini Cooper convertible. “I basically called the client several days before their birthday and let them know that I was celebrating 15 years in the business. I thanked them and segued into it being their birthday soon. Why not salute their confidence in me and their birthday by giving them use of a fun corporate car?” A testament to clients’ appreciation of the effort was that 90% of the time, the car was returned freshly washed with a full tank of gas. The point was to change the nature of the conversation. Clients do mention their financial advisor to friends and family, but the impetus is typically centered on a life event. Jeff turned the dialogue into a happy one. And while he received a lot of thanks, he also got great referrals. Word of caution: Jeff cleared the idea with Compliance, his attorney and his insurance provider before pulling the trigger.

Jeff maintains strong relationships with his clients and communicates with them in a style and frequency according to their preference. Does he feel the robo trend will change things? “Consumers may be looking at investment advice and financial assistance as a tangible product or service, but there is an intangible aspect of consistent, forthright communication that builds trust.” In his estimation, robo will be valuable to the do-it-yourselfers who approach investments as black and white. For the masses, giving up control to technology can be scary. “People on the retail side don’t like concepts they can’t easily decipher. The practicality of robo won’t work with those who fear a small glitch could screw everything up.” The compromise of security at big chain stores as well as the NYSE not trading for a few hours are great examples and give advisors opportunity to display their face-to-face value. He uses the analogy of flying in articulating his point: Do you really want to fly across the country on autopilot or would you prefer to have a pilot there just in case something goes wrong? “The stewardship an advisor provides will ultimately trump anything done on an automated, overly simplified basis.”

As for the future, Jeff quotes his guitar idol, Jeff Beck from The Yardbirds, who shared his New Year’s resolution on the Ed Sullivan show some 50 years ago: “I’m just going to continue along the way I have.” He prefaces his response with those words because he doesn’t necessarily want to change things very much, but rather avail a little more personal time to himself and his family. “I think most advisors want to run the business rather than have the business run them.” Having spent so much precious time building his business, now is the time to enjoy the fruits of his labor. He has a plan for meeting that goal. “I eventually see my wonderful assistant, Stephanie Doughty,



taking over a good part of the business.” And until then, he wants to acquire a portion of another practice or two as a means of giving her clients to oversee. She is currently pursuing her CFP and has been with Jeff for 6 years. Ideally he sees himself transitioning to maybe a dozen or so family practice type relationships. “The goal is a thoughtful, purposeful slowdown rather than coming to a screeching halt for reasons out of my control. I love the business and never see myself completely stepping away.”

If he were to fully transition away from the business and no longer be a financial advisor, what would fill his days? “As a life-long fitness nut, I would complete 500 hours of training in India and return as a full-time yoga instructor.” Jeff was introduced to yoga by a client who is an orthopedic surgeon when discussing chronic pain from running. After 5 years of suffering, the mat time became the cure that no one else could fix. Further testament to its positive effects was starting 2015 by taking up the local studio’s challenge to practice yoga for 30 consecutive days. “It was probably the greatest and most rewarding physical challenge that I ever completed.” Reflecting on his career in financial services reveals some parallels: challenging conditions in regards to the market and regulation, the necessity for flexibility as the financial services industry changes and tremendously rewarding work in meeting clients’ needs. 



**Overview**  
IRS regulations provide guidance about what value is to be used as the cost basis for determining gain or loss at the time of sale of shares acquired by inheritance. These regulations state that property shall be considered to have been acquired by inheritance to the extent that both of the following conditions are met:

- The property was acquired from a decedent by reason of death
- The property is includible in the decedent’s gross estate under the provisions of the Internal Revenue Code of 1954

A date of death (DOD) step-up calculates the monetary value of positions in the accounts associated with a deceased customer on the date of his or her death. For certain eligible registration types and instruments, the DOD step-up can be automatically calculated.

“A date of death (DOD) step-up calculates the monetary value of positions in the accounts associated with a deceased customer on the date of his or her death.”

Step-Up Valuation Process

1. After notification is received regarding a deceased customer, the account must be coded and restricted as a deceased account. Applying this restriction code ensures that lots are coded as inherited at the time of transfer to the beneficiary account. *Note: Triad only adds the restriction code to those accounts with eligible registrations. The deceased owner restriction code should only be applied to a trust or joint account when all parties/owners are deceased.*
2. After a death certificate is received by Brokerage Services or Advisory Operations, the account must be coded with the DOD.

Date of Death Step-Up Valuation By Tamara McCrary

Perhaps date of death step-up valuations isn’t something you talk about every day, but with an aging client population, it’s a topic that is becoming increasingly relevant. Below are key aspects of this process.

3. During a 24-48 hour process, the share quantity is determined, as of the DOD, for positions in the decedent account and the step-up of cost basis occurs. Lots are marked as long-term and coded as inherited. The Acquisition Date on each lot is also updated to reflect the DOD. *Note: If basis cannot be determined for specific positions due to a lack of historical pricing, the basis will remain unchanged after the positions are journaled to the beneficiary account. Alternatively, the cost basis can be updated once the cost basis has been provided.*
4. When positions are journaled from the decedent’s account to the beneficiary’s account, the stepped-up basis will carry over to the beneficiary’s account and will be coded as inherited.

**Date of Death Fair Market Value Calculations**  
Calculations for regular trading day processing are as follows:

Security Type	Calculation
Equities, Bonds or Options	The average of the high and low on the DOD is used as the Fair Market Value (FMV).
Mutual Funds	The closing price on the DOD determines the FMV.

Calculations for non-traded day (holiday/weekend) processing are as follows:

Security Type	Calculation
Equities, Bonds or Options	The average of the high and low of the trading day prior and the trading day following the DOD is used as the FMV.
Mutual Funds	The closing price of the trading day prior to the DOD is used as the FMV.

The customer can also request an alternate date step-up. The FMV used for the alternate date step up will be either the six month anniversary of the date of death or the date the shares are transferred out of the decedent’s account.

- If the shares transfer out prior to the six month anniversary, the FMV will be the date of the transfer
- If the shares are still held in the account after six months, the FMV will be the six month anniversary

**Eligible Registration Types**  
The following registration types are eligible for the automated DOD step-up:

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# Engage Your Partner in Advisory Business

By Michael Bryan



**T**riad understood the benefits of fee-based advice the day we opened the doors in 1998. Even then, we allowed advisors to own an independently filed Registered Investment Advisor entity, as well as offered a corporate RIA option. We were “Hybrid” before Hybrid was cool. Over the years, we have continually enhanced our ability to support fee-based

advisors operating under any RIA structure. There may be services and expertise, however, about which advisors are unaware or are not taking advantage. Triad’s Advisory Services offers multiple access points for assistance and industry education.

Some advisors falsely believe having their own RIA means they are on their own to navigate regulatory waters, identify industry trends and capitalize on new business opportunities. The fact is, 80% of Triad advisors who are doing fee business, are doing so under an independent RIA. Half of those firms utilize NFS as the custodian of their fee-based accounts and take advantage of Triad’s platform of account structures, billing assistance, technology and operations support. The other half use non-NFS fee-based custodians. All advisors have the exact same ability to leverage the Advisory team at Triad as consultants, advisor advocates and educators about products, services and industry trends.

Here are a few ways to engage your partner in advisory business:



## 2015 Fee Symposium

Without question, the most valuable use of an advisor’s time away from the office is interacting with peers and industry experts sharpening their knowledge and exchanging ideas. At the annual fee-based conference (this year we’ll pass a good time in New Orleans November 11<sup>th</sup>-13<sup>th</sup>), advisors

will hear about and discuss the latest regulatory changes that affect their practices, the products and services advisors are offering and how they are charging for advice and winning new clients. We will educate the field on recent growing investor demands and how to capitalize. No matter your RIA affiliation or custodial choice, the Fee Symposium is the best way to engage your Triad partner.



## Triad Advantage Series

A regular webcast, usually not more than an hour long after the closing bell, the Triad Advantage Series is an advisory-based discussion about particular topics affecting fee-based advisors. On August 10<sup>th</sup>, for example, the subject matter was the state of consolidated reporting, available options and

how to select the best system for your practice. Past subjects included fee-based retirement plans and what it takes to be Fiduciary on ERISA plans, charging fees on fixed income and elements of a quality advisory practice.

“There may be services and expertise, however, about which advisors are unaware or are not taking advantage. **Triad’s Advisory Services offers multiple access points** for assistance and industry education.”



## Compliance Consultations

Our experienced Compliance team regularly assists independent RIA principals in ADV and agreement reviews, offers assistance during State or SEC audits and helps consult on acceptable marketing practices. Agreements are available for use by RIAs for

## Department Updates

financial planning and consulting agreements. The RIA Compliance team is also critical to the due diligence process and offers knowledgeable rationale for working with, or avoiding, particular products, asset managers or client services. Considering starting, or closing, your RIA? Ask your partner for pros and cons before your make your decision.



## Business Consultants

Triad offers expertise in a number of practice management areas related to fee-based business. From evaluation of trading systems to highlighting strengths and weaknesses of financial planning systems, we coordinate with the Technology team to help you select the most appropriate systems for your firm.

If you’re considering a new way of approaching particular lines of business like fee-based variable annuities or retirement plan advice, we can give you big picture guidance as well as introduce you to the partners and options available. Triad’s Advisory team also provides due diligence and consultative support on products like semi-liquid alternatives and third-party asset managers. And if you’re looking to better understand industry trends and what other advisors are doing to meet client needs, our team offers tremendous insight and food for thought as you plan your growth. Along with hosting the Fee Symposium and Triad Advantage Series, a member of our team is more than willing to schedule time in your office at your request. Have ideas; will travel.



## Advisor Advocates

There are a number of changes afoot across the industry and even within the Triad world. Our Advisory team takes active positions in industry organizations, interacts with other supporters of the independent advice marketplace and actively speaks out on your behalf. Triad’s Advisory team

has taken a leadership role in regulatory areas such as the DOL proposed changes, the handling of semi-liquid alternatives and, not surprisingly, educating product manufacturers and regulators about the “hybrid” business model. In all our efforts, we strive to put you and your clients first and ensure others do too. We are truly advisor and advisory advocates.

Whether you’re under one of the Triad corporate RIAs or your own, whether you utilize the NFS platform or any other for fee-based business, whether you are in the early stages of your advisory career or managing a well-established and substantial book of advisory business, Triad’s Advisory Services team is your partner in growing your fee-based practice.

If you’ve made it this far in the article...it’s time to go book your flight to New Orleans. We look forward to seeing you at the Fee Symposium! 🚀





# WELCOME TO CONNEX

BY ROGER GREENWAY



**T**riad is pleased to announce the impending release of our new account processing system, Triad Connex. Internally, we have put this system through its paces and it is now ready for prime time. Connex will be coming to you through a phased rollout. In August, the first wave of six offices will pilot the platform. In each successive wave, we will ask more and more

of you to join, until everyone is up and running on Connex. So, what is Connex and how will it help your office streamline account opening? Let's take a look at some of the key features.

## New Business Solutions

New Business Solution (NBS) is a key component of Connex. Within NBS, you can create new accounts whether they are Commission, Advisory, Direct to Sponsor, or Direct to Third-Party Custodians (i.e., Schwab, TD and Fidelity). An intelligent form design is used to narrow down the specific fields required to open any registration. Additionally, the necessary pre-filled forms are generated to open these accounts. In the background, client information is added to a database allowing for the system to populate information on demand. This means that once you have added a client to NBS, their information is always available to be seamlessly loaded into account documents.

The biggest benefit will be opening accounts with National Financial Services (NFS). Through a sophisticated direct interface with NFS, accounts will automatically be opened and assigned an account number at or near real time of entry. Getting a NFS account number intraday will save you time.

You will also have the ability to track the In Good Order/Not In Good Order progress for your accounts from submission to approval in the Status tab. Here, you will find the most up-to-date information about any account you have submitted. If any issues should arise, you will be able to use the Status tab to update information, reply to OSJ inquiries and correct data as needed.

Once an account is established, you will be able to use the Update Account tab to change account level and client contact information instantly, generate maintenance and cashing forms and documents and add or update beneficiary or power of attorney information. Update Account uses the same smart form design as the account opening module, ensuring you never miss required information when making changes.


## Account Manager

Account Manager is the backbone of Connex and is a client-level contact and account management system containing all of your account records regardless of custodian. Within it, you will be able to household, run reports, add important dates and view T+1 account information. Several customizable fields are also featured where you can store additional client information you find most valuable. Connex features a direct export to Redtail, allowing users of this customer relationship management (CRM) tool to have all this information directly fed into it. Users of other CRMs will have the ability to export Account Manager data manually.

## Dashboard

Dashboard is a customizable system centralizing client, branch and advisor information in an easy-to-read and dynamically updated format. Consolidating data from several sources, this system highlights a wide range of contact, account and profitability information empowering you with the ability to identify trends, spot new opportunities, streamline office workflows and provide superior customer service. Dashboard gives a perfect high-level view of your client relationship when a client calls unexpectedly.

New Business Solutions, Account Manager and Dashboard are just a few components of the Triad Connex system. You will receive access to exclusive demos, guidebooks, live training, video guides and quick reference materials to help you become familiar with the system in advance of the rollout to your office. Hands-on experience will be available at our upcoming National Conference and Fee Symposium events.

We are excited to bring this new advisor-facing platform to you. Be on the lookout for more information in the coming weeks to ensure your experience with Connex will be the best possible. Should you have immediate questions, please reach out to us at 800-720-4003 or [technology@triad-advisors.com](mailto:technology@triad-advisors.com). 



*“Hands-on  
experience will be  
available at our  
upcoming **National  
Conference and Fee  
Symposium.**”*





### The 5<sup>th</sup> Letter Indicator on Equity Symbols By Boyd Domm

Common stocks generally trade with a symbol up to four characters in length; however, there are circumstances where NASDAQ and FINRA will add a fifth letter. Below are some of the more common fifth letter symbol suffixes and what they mean.

Character	Definition
A	Class A Shares
B	Class B Shares
D	New (Temporary Suffix Used for Corporate Reorganizations)
F	Foreign Issue <i>Note: The F suffix is commonly used for OTCBB and OTC issues. Since 1999, NASDAQ only appends the F suffix at the issuer's request.</i>

Character	Definition
J	Voting Trust Shares
Q	Bankruptcy
R	Rights Issue
V	When Issued and When Distributed
X	Price via Mutual Fund Quotation Service (MFQS). <i>Note: Indicates that the instrument is a mutual fund, money market fund or unit investment trust (UIT).</i>
Y	ADR

If you have questions, please contact the Triad Trade Desk at 888-713-6446, Option 1.

Thank you for your business.

>> Continued from Page 9, Date of Death Step-Up Valuation

Registration Type	Reflected Percentage
Individual (I, TOD)	100% Step-Up
Joint CP	100% Step-Up
Joint (WROS, WROS-TOD, TOD, TIE, TBE, TIC)	Split Lots 50/50 and Only 50% Step-Up
Community Property*	100% Step-Up
Conservator	100% Step-Up
Fiduciary	100% Step-Up
Guardian	100% Step-Up
UGMA/UTMA	100% Step-Up
Sole Proprietorship	100% Step-Up
IRA (All Types Except Non-Prototype)	100% Step-Up
Keogh (All Types)	100% Step-Up

\*For accounts with a different registration type, where the assets are held in one of the community property states of Arizona, California, Idaho, Louisiana, New Mexico, Nevada, Texas, Washington or Wisconsin, it will require a manual process to have the assets step up to 100%.

*Note: For trust accounts, clients will need to provide the following information to have the step-up processed manually: DOD, percentage of shares eligible and share amount per recipient.*

#### DOD Restrictions

DOD step-up valuations cannot be obtained by National Financial Services (NFS) in the following circumstances:

- Accounts opened after the DOD. If the assets are not held by NFS on the DOD, the respective financial institutions that held the assets on the DOD need to determine the value of the assets.
- Assets transferred or deposited into the account after the DOD.
- Valuation dates other than the DOD.
- DOD step-up requests beyond three years from when the account is coded with the DOD.

*Note: Valuations for these scenarios must be provided by the client.*

#### Ineligible Registration Types and Instruments

Registration types that are not eligible for the automated DOD step-up valuation include: Administrator, Executor, Personal Representative, Bank, Investment Club, Partnership, Church, Limited Liability Corporation, Joint Usufruct, Committee, Non-Prototype, Corporation, Professional Association, Defined Benefit Plan, Professional Corporation and Unincorporated Association.

Instruments not eligible for the automated DOD step-up valuation are short positions, money market funds, currency positions, limited partnerships and precious metals. Dividends and interest not applied at the time of DOD processing are also excluded from the step-up basis process. *Note: Monthly statements reflect the stepped-up basis, but there is no indicator informing the client that the basis has been adjusted to reflect the step-up.*

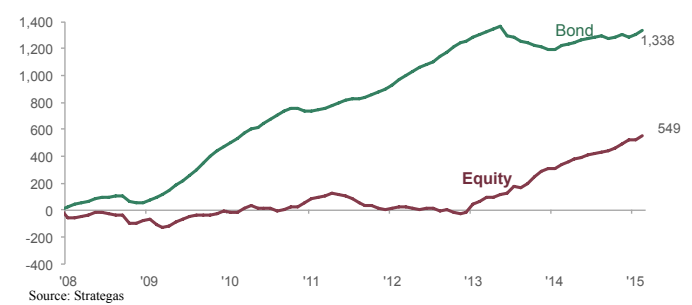
If you have questions, please contact the Trade Desk or Brokerage Services at 770-840-7444, Option 2.

## Making the Switch Capstone Asset Management

Beginning in the summer of 2007, the bond market enjoyed an extended period of falling rates providing strong, positive returns for its investors. The stimulus packages put forth by the Federal Reserve and other central banks around the world supported much of this prosperity. Following the taper tantrum in May 2013 invoked by Ben Bernanke’s mere suggestion that Quantitative Easing may have run its course, investors were reminded that a rising rate environment could affect bond portfolios in a negative manner. As investors saw losses in their “safe-haven” assets, the risks associated with bond funds became more apparent and investors began to look for alternatives.

Since the decline in 2013, fund flows into equity and fixed income funds have stabilized and even grown. However, there is concern that we may see another dip with assets leaving the fund vehicles due to anticipation that the Fed may begin to raise rates in the coming quarters. It is a simple mathematical calculation – as interest rates rise, the market value of a fixed income instrument will decline, but that does not ease the surprise when statements are opened at the end of the month.

Cumulative Net Flows Into Equity vs. Bond Mutual Funds & ETFs  
\$BN, 1/1/08 through 2/28/15



This is where we must look at the difference between bond funds and individually owned bonds to see where the advantage lies. Total return is comprised of two components – price return and income return. As rates rise and market values decline, your price return will be negative. If your income component is not high enough to counter the price decline, then you will have a negative total return. If you income is larger than your price decline, the you have a positive return.

“Total return is comprised of two components – price return and income return.”

The key is that this negative return is only realized if you sell your asset. If you are holding individual bonds, you can make the decision to hold you security until maturity, which negates the activity due to market volatility and rising rates. Individual bond holdings have an obligation to provide the scheduled cash flows as determined by the coupon and will return a pre-specified amount of principal at maturity. These flows are unaffected by volatility in the market value of the security. Bond funds, however, do not have this obligation and are at the mercy of investors to sell bonds as liquidations are requested. As market values decline, the NAV or value of the bond fund decreases as well, with no guarantee of future payments. The high level of turnover in bond funds automatically sets them up for capturing losses as market values decline. This is the reason we have seen such an unprecedented amount of money pulled from bond funds over the last month.

None of us has a crystal ball or can forecast when and how quickly rates may rise in the future. However, in anticipation of the Federal Reserve taking action in coming quarters to remove the zero limit bound on Fed Funds, Capstone has been positioning portfolios with shorter durations than the comparable indices along with higher coupon securities to buffer some of the negative effects of higher interest rate movements. Individual bonds, such as those in a Separately Managed Account, have a distinct advantage over bond funds as the funds are subject to greater risks without guarantees of cash flows or principal payments. This advantage allows individual bonds to be a positive alternative to bond funds during this rising rate environment, protecting your clients’ investments during a difficult part of the market cycle for the fixed income markets.

This information has been provided by Capstone Asset Management Company. All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This is not to be construed as an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in an investment making decision. The view and opinions expressed are those of the portfolio manager at the time of publication and are subject to change. There is no guarantee that these view will come to pass. As will all investments, there are associated inherent risks. Please obtain and review all financial material carefully before investing. Past performance does not guarantee future results.



# Concerned About Rising Interest Rates?

Invesco

Concerned about rising interest rates? Consider these four alternative investments. Looking past traditional stocks and bonds may help prepare portfolios for a future rise in rates.

As I travel across the country meeting with financial advisors and their clients, a common concern I hear voiced is “how can I position my portfolio for when the inevitable happens and interest rates start to rise?” In response, I state that certain types of alternative investments are well suited to help prepare portfolios for rising interest rates in the future, while also potentially adding value in the present.

“Certain types of alternative investments are well suited to help prepare portfolios for rising interest rates in the future, while also potentially adding value in the present.”

Specifically, I highlight four different types of alternatives for clients to consider:

## Senior Loans

Also known as bank loans, senior secured loans and/or leveraged loans, senior loans are loans made by banks to non-investment grade companies, commonly in relation to leveraged buyouts, mergers and acquisitions. The loans are called “senior” because they are contractually senior to other debt and equity, and are typically secured by collateral.

Given that the loans are made to non-investment grade companies, the yield associated with them tends to be higher than on investment grade corporate bonds.<sup>1</sup> For example, as of the end of May, senior loans were yielding 5.51% versus a yield of 2.99% on investment grade corporate bonds.<sup>2</sup>

Another key aspect of senior loans is that the interest rate paid is a floating rate that resets every 30 to 90 days.<sup>3</sup> This means that in

a rising interest rate environment, as long as the rate rises above a predetermined minimum level, the investor will receive increased payments from the borrower. Therefore, senior loans may potentially outperform other types of bonds in rising rate environments due to their floating rates.

Invesco offers three different senior loan investments strategies for individual investors: Two mutual funds, Invesco Floating Rate Fund with daily liquidity and Invesco Senior Loan Fund with monthly liquidity; and PowerShares Senior Loan Portfolio as an exchange-traded fund (ETF) option.

## Unconstrained Bond Funds

Unconstrained bond funds are funds in which the portfolio manager is given the flexibility to invest globally across all sectors of the fixed income markets. The manager also may use derivatives, leverage and shorting when implementing his or her strategy. Given the tools made available to the manager, unconstrained bond funds tend to have an absolute return orientation, meaning that they may seek to generate a positive return in any market environment.

In a rising interest environment, an unconstrained bond fund has the ability to take advantage of rising rates by utilizing a number of derivative strategies. One such strategy would be to short Treasury bond futures. Treasury bond futures mimic the returns of Treasuries, which are negatively impacted by rising rates. Therefore, by shorting Treasury futures you would gain when interest rates rise. Furthermore, such funds have the ability to avoid regions and sectors that they do not find attractive while focusing on the regions and sectors they believe offer the best potential for success. In general, investors should expect unconstrained bond funds to potentially outperform traditional bond funds in down bond markets, and to possibly underperform traditional bond funds in rising bond markets.

The Invesco Unconstrained Bond Fund is a mutual fund available to individual investors.

## Market Neutral Funds

Market neutral funds seek to generate positive returns regardless of market environment by trading related stocks on a long and short basis. Such funds are designed to cushion a portfolio against broad market swings.

Although market neutral funds invest in equities, many of these

*Continued on Page 19 >>*

# New Solutions for HNW Clients

Jefferson National

Estate planning and wealth transfer remains top of mind for advisors, especially for their high-net worth and ultra-high net worth clients. Clients should create up-to-date wills and estate plans with an experienced lawyer and tax expert. Your financial planning and investment expertise is also essential to maximize their asset growth and protection.

Roughly half of Registered Investment Advisors (RIAs) and fee-based advisors have increased their use of trusts in recent years, according to a recent survey by Jefferson National. Trusts are becoming increasingly important for many estate plans as a “Great Transfer” of more than \$12 trillion will be inherited by Boomers— and an estimated \$30 trillion will be transferred from Boomers to their heirs.

## A New Solution: Tax-Optimize Trusts with IOVAs

A new generation of low-cost Investment-Only Variable Annuities (IOVAs) can be used with trusts, to control how much clients pay in taxes—and when they pay those taxes. While traditional VAs rarely work, due to high asset-based fees, limited funds, complex guarantees and steep commissions, IOVAs have gained popularity, helping advisors maximize the power of tax deferral in a low-cost wrapper—with an extensive lineup of funds and virtually no contribution limits.

Jefferson National discussed tax-optimizing trusts with Drew J. Bottaro, Esq., CFP®, Vice President and Senior Financial Counselor at Weston Financial. A graduate of MIT and Boston University School of Law, who has taught estate planning at the graduate level, Bottaro notes, “It’s not necessarily complicated to use annuities with trusts—and there can be measurable benefits in certain scenarios.”

“Tax deferral is one of the primary benefits,” Bottaro adds. “And that’s where a low-cost Investment-Only Variable Annuity with a broad choice of underlying funds provides the competitive advantage.” By helping to enhance diversification, manage volatility and maximize tax-deferred growth, IOVAs can help clients build and maintain more wealth within the trust.

## An Expert’s View on an Innovative Approach

According to Bottaro, there are important guidelines for tax-optimizing trusts with IOVAs. In cases where a trust is acting as an “agent of a natural person,” a VA will likely qualify for tax deferral. He also notes that there are essentially two “flavors” of trusts—those that remove the annuity’s tax protection, and those that keep it intact. The standard revocable trust can typically benefit from tax deferral, while irrevocable trusts often do not qualify under the “agent of a natural person” test.

There are several types of trusts that work well with IOVAs. Special Needs Trust or Supplemental Needs Trust can keep trust assets separate and help preserve Supplemental Security Income and Medicaid benefits. Credit Shelter Trusts or Bypass Trusts can help minimize current income and save more for future generations. Net Income with Makeup Charitable Remainder Unitrusts (NIMCRUT) can to reduce taxation of highly appreciated assets and control timing of income distribution.

Bottaro recently used a Charitable Remainder Unitrust (CRUT) for a client who owned low-basis stock with more than 90 percent appreciation. The potential of substantial capital gains made it difficult to diversify in a taxable account. Instead, Bottaro placed roughly \$1 million of highly appreciated stock into a CRUT.

Bottaro’s client gets a current write-off for the charitable contribution. Once in the trust, the stock can be sold with no immediate taxable gains and then invested into an IOVA, to fully diversify the portfolio. All income and earnings each year are tax-deferred until a pre-set date. In this case, provisions delay distributions—and their taxation—until the client reaches age 68. The trust is like a “private pension” while the client is alive—and when the client passes, the remainder in the trust will belong to the charity.

## Prepare HNW Clients

While competition for high-net worth clients increases, and complex market dynamics make every basis point count, you can differentiate your firm and create more value for your clients through expertise in wealth transfer and estate planning. Partner with legal and tax experts to provide the most comprehensive solutions. And, as you consider using trusts for estate-friendly investment structures, consider tax-optimizing those trusts with Investment-Only Variable Annuities. By controlling how much is paid in taxes—and when those taxes are paid—you can help building more wealth and maximize outcomes for clients and their heirs. **By Laurence P. Greenberg**

Laurence Greenberg is President of Jefferson National, which provides retirement products (variable annuities) for fee-based and fee-only advisers and their clients. For more information, please visit [www.jeffnat.com](http://www.jeffnat.com). Variable annuities are investments subject to market fluctuation and risk, including possible loss of principal. Your units, when you make a withdrawal or surrender, may be worth more or less than your original investment. Variable annuities are long-term investments to help you meet retirement and other long-range goals. Withdrawal of tax-deferred accumulations are subject to ordinary income tax. Withdrawals made prior to age 59 ½ may incur a 10% IRS tax penalty. Annuities are not deposits or obligations of, or guaranteed by any bank, nor are they FDIC insured.



# Puerto Rico: What Happens Next?

Lord Abbett

Here’s an assessment of the possible fallout from Governor Garcia Padilla’s statement that the commonwealth will be unable to pay its \$72 billion in municipal debt. Puerto Rico’s fiscal challenges have been in the news for a couple of years, but on June 28, the commonwealth’s governor, Alejandro Garcia Padilla, made comments that put even further stress on its \$72 billion in municipal bonds.

The governor said that Puerto Rico is unable to pay its municipal debt, and proposed a moratorium on making interest or principal payments for several years. Previously, Garcia Padilla had stated that paying off the debt was important, and that Puerto Rico planned to not miss any payments. So, this is was a big change in tone, and the impact was to push down farther already depressed prices of Puerto Rico’s bonds. Values on most of the island’s bond issues dropped by at least 10% after the comments.

At this writing, Puerto Rico had stated that it planned to make the interest payment on its municipal debt due July 1, so for the short term, there will not be a default. But there will be a lot of volatility over the rest of the year before a final outcome to the island’s deepening distress becomes clearer. While it is very difficult to predict what the path will be from here, the outlook for the island’s finances, and its bond-market standing, appears even more uncertain than it was last week.

What could happen in the coming months? One possible outcome is for the government to negotiate with bondholders to try to keep the commonwealth’s access to the bond market intact. Previously, this had been the expected direction, but based upon the governor’s comments, the probability has fallen. A negotiated settlement is still a possibility, but it will depend upon how much of a cut in debt can be agreed upon, and whether it is sufficient to meet everyone’s objectives.

A second possible path is for the government to not make principal and interest payments, as the governor suggested. If this happens, bondholders likely will pursue remedies in court. This could take years and be very expensive. The bondholders can claim that the bond indentures state that interest payments take precedence over other items in Puerto Rico’s operating budget, while the commonwealth can claim that it is in a state of emergency and, thus, has no other options. Legally, bondholders have a good chance of winning, but the outcome is uncertain and could depend on many factors, such as the jurisdiction for the trial and how dire the fiscal

situation becomes in Puerto Rico. Even if bondholders are successful, the timing of the resolution is uncertain. While there are other possible outcomes, these are the two most likely. In the first scenario, the commonwealth should be able to borrow more money—at higher rates, of course—but it likely would be able to keep market access. In the second, Puerto Rico likely would have to sacrifice market access for more liquidity, and would need to fund its operations with its own revenues. It seems unlikely, though, that the island’s government would want to place itself in such a dire situation, but the commentary this past weekend raised the odds that officials could go in that direction.

“While it is very difficult to predict what the path will be from here, the outlook for the island’s finances, and its bond-market standing, appears even more uncertain than it was last week.”

Many have discussed the possibility of the U.S. federal government taking some action to support Puerto Rico, but any material assistance from Washington seems unlikely. There isn’t much interest in any type of a bailout, and there isn’t much political consensus for taking action. Recently, Puerto Rico has been trying to get support for allowing its public corporations to declare bankruptcy, and this is a possible direction, but still, the odds are not highly in favor of it right now. In addition, this would not address the problems of the central government.

Overall, Puerto Rico’s annual deficit has actually been getting smaller for several years, and the government has reached agreements to raise taxes to support new financings. Therefore, it was a surprise that the governor suggested such drastic actions. Another important factor is that the governor faces reelection in November 2016, so the response

*Continued on Following Page >>*

>> *Continued from Page 16, Concerned About Rising Interest Rates?*

funds are designed to generate returns that are bond like, both in terms of the level of return and the volatility associated with the return. That said, investors considering market neutral funds should be aware that such funds, unlike traditional bond funds, do not generate current yield, and that they can experience more severe declines than traditional bond funds.

For investors looking for a fund that potentially will generate bond like returns while not being subject to interest rate risk, market neutral funds such as Invesco Global Market Neutral Fund, might be an appealing option.

**Global Macro Funds**  
Global macro funds are funds that invest across the global markets in equities, fixed income, currencies and commodities on a long and short basis. As a result, these funds tend to be very opportunistic in their investment approach.

When interest rates begin to rise, the fallout is likely to be felt across the global markets. Given the markets traded and their opportunistic nature, global macro funds have the potential to thrive in a rising interest rate environment.

Invesco Global Targeted Returns Fund and Invesco Global Markets Strategy Fund are examples of global macro funds. **By Walter Davis, Alternatives Investment Strategist**

<sup>1</sup> This is due to the increased credit risk associated with non-investment grade companies relative to investment grade companies. <sup>2</sup> Source: Bloomberg L.P. as of May 31, 2015. Corporate bonds are represented by a subset of the Barclays

>> *Continued from Previous Page, Puerto Rico, What Happens Next?*

to his actions will be important; right now, his poll numbers are weak, despite his achievements in reducing the deficit.

“The governor faces reelection in November 2016, so the response to his actions will be important.”

What does all this mean for high-yield muni investors? We think they should consider these points:

- Since there is some probability of a positive outcome, and because Puerto Rico represents such a large part of the

US Aggregate Bond Index, and senior loans are represented by the S&P/LSTA Leveraged Loan Index. <sup>3</sup> Senior loans are usually priced relative to three-month LIBOR, with the lender receiving a fixed spread above the LIBOR rate. Therefore as LIBOR rises, the amount paid by the borrower increases. Importantly, most loans have a provision that establishes a minimum, or floor, for LIBOR. Typically the floor rate is around 1.00%. This helps protect the lender should LIBOR fall below 1.00%. Currently, the three-month LIBOR rate is approximately 0.28%. Due to the floor, LIBOR would need to rise above the 1.00% floor before the investor would receive the benefit of rising interest rates.

The Barclays US Aggregate Bond Index is an unmanaged index considered representative of the US investment-grade, fixed-rate bond market. The S&P/LSTA Leveraged Loan Index is a weekly total return index that tracks the current outstanding balance and spread over Libor for fully funded term loans. An investment cannot be made in an index. Past performance cannot guarantee future results. Alternative products typically hold more non-traditional investments and employ more complex trading strategies, including hedging and leveraging through derivatives, short selling and opportunistic strategies that change with market conditions. Investors considering alternatives should be aware of their unique characteristics and additional risks from the strategies they use. Like all investments, performance will fluctuate. You can lose money. Derivatives may be more volatile and less liquid than traditional investments and are subject to market, interest rate, credit, leverage, counterparty and management risks. An investment in a derivative could lose more than the cash amount invested. Fixed-income investments are subject to credit risk of the issuer and the effects of changing interest rates. Interest rate risk refers to the risk that bond prices generally fall as interest rates rise and vice versa. An issuer may be unable to meet interest and/or principal payments, thereby causing its instruments to decrease in value and lowering the issuer’s credit rating. Most senior loans are made to corporations with below investment-grade credit ratings and are subject to significant credit, valuation and liquidity risk. The value of the collateral securing a loan may not be sufficient to cover the amount owed, may be found invalid or may be used to pay other outstanding obligations of the borrower under applicable law. There is also the risk that the collateral may be difficult to liquidate, or that a majority of the collateral may be illiquid. Short sales may cause an investor to repurchase a security at a higher price, causing a loss. As there is no limit on how much the price of the security can increase, exposure to potential loss is unlimited.

high-yield municipal bond market, some exposure to the commonwealth’s debt would still be appropriate in high-yield muni portfolios.

- Puerto Rico bonds are trading at distressed prices, so any investment decision should be based upon the current value of the securities, rather than whether they will ever get back to par.
- Also, there are many different Puerto Rico issuers, and each will likely face different outcomes, so each has to be analyzed separately. Some Puerto Rican muni issues may offer better value than others.

As the situation develops, we will follow up with further commentary, including an upcoming Muni Matters column on lordabbett.com. **By Daniel S. Solender, CFA**



# Dealing with Diminished Capacity

## National Financial Services

Dealing with Diminished Capacity as Clients Age – Ways to Help Mitigate Your Firm’s Risk in Service an Aging Client Base

In brief:

- Be Aware and Proactive* – With more Americans living longer, there is one symptom of aging that’s posing a growing risk to advisors and clients – diminished capacity. To help protect clients and advisors alike, advisors should be aware of specific signs that a client may be showing of cognitive decline. Likewise, advisors and their firm should consider having established risk management policies and procedures in place for dealing with this sensitive situation.
- Consider How You Serve Aging Clients* – In addition to policies and procedures, advisors may wish to consider developing a game plan for how their service will evolve and adapt to clients as they age. From enhancing client communications to establishing stronger relationships with family members, thoughtful best practices may help benefit clients with growing needs – as well as the advisors who serve them.
- Educate and Communicate as a Team* – If you are part of a firm that serves clients as a team, consider ensuring that each team member is properly informed of all client interactions and planning implications if a client may be experiencing diminished capacity. Likewise, it might be helpful to train each team member on the signs of cognitive decline and understand the procedures for informing the team.

“By 2050, the number of people age 65 and older with Alzheimer’s disease may nearly triple.”

**Why Understanding the Signs of Diminished Capacity is Critical** For years, when the advisor community focused its attention on the Baby Boomer generation, one word sprang to mind: *Opportunity*. And for good reason: Effective January 1, 2011, and every month for the next 19 years, more than a quarter-million Americans will turn age 65.<sup>1</sup> That means a historic opportunity for managing retirement assets and planning legacies.

### Fast Facts About Alzheimer’s Disease

- More than 5 million Americans are living with the disease.
- Every 67 seconds someone in the United States develops Alzheimer’s.
- One in three seniors dies with Alzheimer’s or another form of dementia.
- Alzheimer’s disease is the sixth leading cause of death in the United States.
- Women face a greater risk than men of developing Alzheimer’s.
- In her 60s, a woman’s estimated lifetime risk for developing Alzheimer’s is one in six. For breast cancer, it is one in 11.

Source: The Alzheimer’s Association, <http://www.alz.org/facts/overview.asp>

Yet, over time, as the effects of aging have taken hold with such a large population of clients, another word is now on the minds of many advisors and firms: *Risk*. The reason? There has been a significant rise in the number of cases of dementia, which most commonly manifests as Alzheimer’s disease.

How serious is the increase in cases? The Alzheimer’s Association® estimates that the number of Americans with Alzheimer’s disease and other dementias will escalate rapidly in coming years. By 2050, the number of people age 65 and older with Alzheimer’s disease may nearly triple, from five million to a projected 12.8 million, unless medical breakthroughs are developed to prevent, slow or stop the disease.<sup>2</sup>

This situation poses significant implications for advisors, their firms and their clients. Oftentimes, older clients may represent your wealthiest client base. Serving them properly may require adapting how you manage the relationship as they age in order to protect both the wealth they have build and your own practice.

For clients suffering from diminished capacity, the risks are myriad and can take a meaningful toll on their financial resources. Les Abromovitz, an attorney and consultant at National Compliance Services, says “Clients can lose a substantial amount of money because of foolish transactions they may make on their own, or requests they may make of their advisor. What’s more, older clients

who have some form of cognitive decline face a higher level of risk of elder financial abuse than other seniors.”

On the other side of the relationship, advisors face significant, specific risks as well. Alan J. Foxman, an attorney and consultant with National Compliance Services, cautions advisors to be aware of three specific risks:

- Financial Risk Stemming from Lawsuits* – The client, or the client’s family, could take legal action if they feel that the advisor did not act in the best interest of the client.
- Regulatory Sanctions and Increased Scrutiny* – While sanctions can lead to fines and penalties, Foxman points out that even if an advisor is exonerated of charges, any complaints filed against the advisor may put him or her on the radar screen of the regulatory agencies for years to come.
- Reputational Risk* – As in all cases, allegations against an advisor could potentially tarnish his or her reputation, or the firm’s reputation.

### Education and Guidance from Regulatory Agencies

Federal regulatory agencies, including the SEC and FINRA, offer education and, in some instances, guidance on various topics regarding working with senior investors. Please consult with your attorney on evolving federal mandates and guidance.

In September 2013, the SEC issued guidance to clarify that the

### Trusted Individuals as Perpetrators

Trusted individuals are often the most likely perpetrators of elder financial abuse. NAPSA lists the most common potential perpetrators within the circle of trust:

- Caretakers
- Family Members
- Neighbors
- Friends and Acquaintances
- Attorneys
- Bank Employees
- Pastors
- Doctors or Nurses

Source: National Adult Protective Services Association, <http://www.napsa-now.org/policy-advocacy/exploitation/>

privacy provisions of the Gramm-Leach-Bliley Act generally permit advisors to report suspected elder financial abuse to appropriate local, state or federal agencies.<sup>3</sup>

Advisors should consult with their legal counsel to gain a full understanding of all matters relating to working with clients with either diminished capacity or situations where elder financial abuse is suspected.

In some states, advisors may be obligated to alert government protection services organizations if elder financial abuse is suspected. We suggest that you consult legal counsel to understand what is required in each U.S. state in which you operate.

Ways to Learn More:

- SEC* – Protecting Elderly Investors from Financial Exploitation: Questions to Consider: <http://www.sec.gov/news/speech/protecting-elderly-investors-from-financial-exploitation.html>
- SEC* – Protecting Senior Investors: <http://www.sec.gov/spotlight/seniors/seniorspracticesreport092208.pdf>
- FINRA* – Exam priorities relating to seniors: <http://www.finra.org/web/groups/industry/@ip/@reg/@guide/documents/industry/p602239.pdf>

To read the full article, please visit <https://nationalfinancial.fidelity.com/app/literature/item/9865541.html>.

<sup>1</sup>Pew Research Center, <http://www.pewresearch.org/daily-number/baby-boomers-retire/>  
<sup>2</sup>The Alzheimer’s Association, <http://www.alz.org/facts/overview.asp>  
<sup>3</sup>Consumer Financial Protection Bureau, <http://www.consumerfinance.gov/newsroom/federal-regulators-issue-guidance-on-reporting-financial-abuse-of-older-adults/>. September 24, 2013 news release.

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# Building a Better Retirement

## Transamerica

It's the modern-day conundrum. Mid-level executives, doctors, or others with a healthy salary retire without a pension and find that Social Security only replaces a small portion of their paychecks. While these hard-working earners have saved wisely, their investments may be at risk of a market crash that could wipe out their nest eggs.

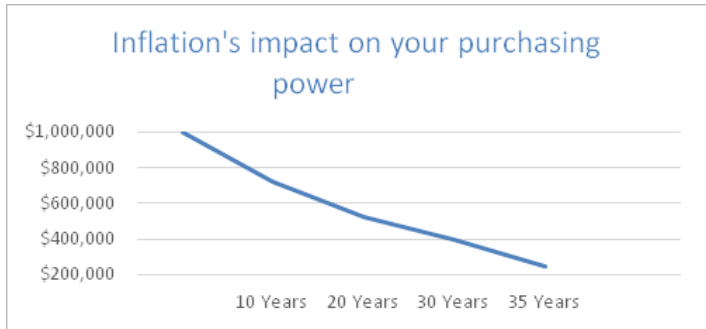
Some workers have pensions that could act as a partial safety net, supplementing Social Security checks. But what about the rest of your clients? What if they could build their own safety nets?

Though they aren't right for everyone, variable annuities with guaranteed minimum withdrawal benefits can enable certain investors to essentially create their own pensions, turning part of their assets into a protected income stream.

**Why Now**  
Modern-day retirees are dealing with challenges beyond what their parents and grandparents encountered.

Inflation has always been an issue for consumers, but throw in longer lifespans and rising medical costs, and it's clear that workers will need to plan ahead for a secure and independent retirement.

Let's assume we will have 3% inflation over the next couple of decades. If prices for everyday items increase at that rate, the price of today's cheap wine could nearly double and a \$10 hamburger would be \$18 by 2035. We won't even think about what college tuition might look like in 20 years.



Based on a 3.5% annual inflation rate.

**The Right Fit for the Right Investors**  
Variable annuities with living benefits could be one answer for providing the confidence, security, and stability that investors seek in this environment.

“Variable annuities with guaranteed minimum withdrawal benefits can enable certain investors to essentially create their own pensions.”

Not all investors should consider them, but they can be a good fit for clients whose grandparents and parents had long lives and might be expecting to live a long time themselves; who have maxed out their contributions to 401(k) accounts, health savings accounts, and IRAs; and are interested in holding on to their money while giving it some room to grow.

Many savvy investors have traditional investments such as mutual funds, along with pensions or defined benefit plans that can offer pension-like income.

Variable annuities with living benefits act as a third class of investments that offer some of the benefits of mutual funds but also offer a stream of income payments, like pensions.

Essentially, investors buy the variable annuity, choose what type of investment portfolio they want within the annuity, and then add guaranteed minimum withdrawal benefits (living benefits) as a rider. The living benefits typically offer guaranteed payments for the rest of the annuity holder's life, even if the policy value falls to zero.

The relatively flexible investment choices of variable annuities and the income provided by the living benefits can make variable annuities with guaranteed minimum withdrawal benefits an attractive option for some investors.

Online tools (such as the one found here <http://hubs.ly/y0Vqv4O>) can help you and your client walk through what a personalized pension strategy might look like. As always, make sure to help clients evaluate the various fees, changes, and potential penalties for early withdrawals.

A self-made pension can keep paying your clients in retirement, so they can enjoy all the good things in life. Transamerica will help you build it. Call us at 855-712-0558 today to get started.

# 2015 TRIAD UNIVERSITY

## UPCOMING EVENTS

### NATIONAL CONFERENCE

September 9<sup>th</sup>-12<sup>th</sup>  
**Boca Raton Resort & Club**  
**Boca Raton, Florida**

We are thrilled to welcome everyone to beautiful Boca Raton for our annual National Conference. We have an agenda jam-packed with sessions to add value to your practice. Visit iLink under **Marketing > Triad Conferences > 2015 National Conference** to view our detailed agenda and highlighted keynote speakers. You will also find:

- Advisor Expenses
- Conference FAQs
- Evening Event Details
- Participating Partner List
- Stay & Play Package Details

If you still wish to attend, please contact Christine Bermingham directly at 770-840-0363 or [christine@triad-advisors.com](mailto:christine@triad-advisors.com).

### LIWF SYMPOSIUM

October 21<sup>st</sup>-22<sup>nd</sup>  
**Intercontinental Magnificent Mile**  
**Chicago, Illinois**  
*(Invitation-Only Event)*

Registration is now open for the Ladenburg Institute of Women and Finance (LIWF) Symposium. LIWF was created to provide additional education and networking support for women advisors of Ladenburg's independent broker/dealers. This assembly of select women advisors has two goals: to help women advisors build their businesses and to improve how all advisors serve women investors.

### FEE SYMPOSIUM

November 11<sup>th</sup>-13<sup>th</sup>  
**Sheraton New Orleans Hotel**  
**New Orleans, Louisiana**

Registration for the 2015 Fee Symposium opens on Monday, August 17<sup>th</sup>. This year's valuable and educational event is set in the historic and vibrant French Quarter of New Orleans. Visit iLink for additional details.





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**Mathias Turtz**  
*Training Department Manager*

Mathias joined Triad in 2014 as Training Department Manger. He is currently responsible for multi-platform training and design, as well as implementation of the new Triad Connex platform. In addition to his Series 7 license, Mathias is certified by MHI Global in sales and service training and FKA in consultative sales training and adult learner classroom technique. Mathias has over 15 years in the financial industry, all starting with a summer job at Wells Fargo as a teenager.

**As a Child, What Did You Enjoy Most About Summer?** As a child growing up in San Diego, I always loved the beach and try to get back as much as possible.

**Favorite Genre of Music?** I enjoy several different genres, Jazz and Classical Rock being my two favorites.

**Food or Drink You Are an Expert at Making?** Meatballs and Marinara.



**Megan Ireland**  
*Compliance Analyst*

Megan joined Triad in 2013 in a coordinator role for Accounting and Compliance. In her current position, she handles a number of back office compliance reports, consolidated reports and the administration of the annual compliance questionnaire. Megan graduated from Louisiana State University.

**As a Child, What Did You Enjoy Most About Summer?** Like every other child, not being in school! Hanging out at the pool with friends and sleeping in was the best.

**Favorite Genre of Music?** It's tough to pick a particular genre, but a few artists I've been hooked on lately are Alabama Shakes and X Ambassadors.

**Food or Drink You Are an Expert at Making?** Cereal! I've also been making a great stuffed French toast recently.



**Melissa Melito**  
*Licensing and Registration Manager*

Melissa joined Triad in 2012. She handles a variety of tasks including on boarding advisors to Triad, advisors' insurance appointments, registrations and the renewal process. Prior to joining Triad, she worked as an associate consultant with Capital Markets Compliance. In that role she provided registration and licensing guidance to clients. Melissa graduated from the University of Georgia with a Bachelor of Arts in English and a Bachelor's in Newspaper Journalism.

**As a Child, What Did You Enjoy Most About Summer?** No homework.

**Favorite Genre of Music?** I don't have a favorite; I listen to everything.

**Food or Drink You Are an Expert at Making?** Grilled cheese sandwiches. 🍷



1. **Keith McMurry**, of the Home Office, and his wife welcomed their first baby boy, David Wyatt McMurry, on August 6<sup>th</sup>.
2. **Farnsley & Johnston Wealth Management Consultants** sponsored a military appreciation gala, supporting US veterans and their families, in February at the Amelia Island Omni Plantation Resort in Amelia Island, Florida.
3. **Jeff St. John** joined the Home Office in May as Senior Vice President, Director of Technology.
4. **Tiondra Abernathy** joined the Home Office in May as Advisory Systems Specialist.
5. **Tonya Flake** joined the Home Office in April as Accountant.
6. **The Home Office** donated over 350 sack lunches to MUST Ministries' Summer Lunch Program in June.
7. **Kathy Milliken**, of the Home Office, celebrated her 5-year anniversary with Triad in June.
8. **Will Brand**, of the Home Office, celebrated his 5-year anniversary with Triad in June.
9. **Jae Lee** joined the Home Office in April as Surveillance Analyst.
10. **Amy Rehn**, of the Home Office, was promoted to Senior Vice President, Advisory Services in July.
11. **Amanda Teeple**, of the Home Office, was selected to join FSI's Due Diligence Council.
12. **Yolanda Maloney** joined the Home Office in May as Operations Specialist. 🍷



MARKET MOVEMENT

as of June 30, 2015



<b>DIJA</b>	17,619.51
Q2	-0.88%
Q2 Low (June 29)	17,596.35
Q2 High (May 19)	18,312.39
YTD	-1.14%
Trailing 12	4.74%


<b>NASDAQ</b>	4,986.87
Q2	1.75%
Q2 Low (April 1)	4,880.23
Q2 High (June 23)	5,160.09
YTD	5.30%
Trailing 12	13.13%

<b>S&amp;P 500</b>	2,063.11
Q2	-0.23%
Q2 Low (June 29)	2,057.64
Q2 High (May 21)	2,130.82
YTD	0.20%
Trailing 12	5.25%



Summer is winding down and football is right around the corner. I find myself balancing a desire to hold on to warm weather with a longing for the cooler temps of Autumn. August has a way of bringing goals sharply into focus as 3<sup>rd</sup> quarter draws to a close and plans for a final push during 4<sup>th</sup> quarter are fine-tuned. I hope you are well on your way to a banner year.

The topics in this issue have a common thread...flexibility. We all know change is inevitable but how we react to it is perhaps most important. Being prepared for change, even when you don't quite know what it will look like, can make a huge difference in your business and life. Robo, for example, can strike fear or announce opportunity. Some advisors have chosen a wait-and-see approach, predicting fine-tuning to occur before a first-class solution rises to the top. Others have slowly began enhancing their technology and messaging to prepare for intergenerational wealth transfers. Further changes on deck include the DOL Fiduciary Proposal, the rollout of new products/strategies and incorporating the latest operational technology (Connex) into your processes. Being flexible matters when the "right" way isn't clear. Jeff Brown illustrates flexibility in the Spotlight feature in a few ways: incorporating alternatives into his client's portfolios when he was initially hesitant about the products as well as stretching his comfort level in hosting a client event. Both paid off by the way!

Your Triad team stands ready to assist whether that is in implementing operational efficiencies, developing growth strategies or sharing regulatory insight. I know I'll see many of you at our National Conference in Boca next month. And if your practice includes advisory business, you don't want to miss the opportunity to network with your peers, learn from our strategic partners and have a little fun in the Big Easy in November. 

Sincerely,

Amy Rehn

Senior Vice President, Advisory Services  
Chief Operating Officer, Triad Hybrid Solutions  
Triad Times Editor



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