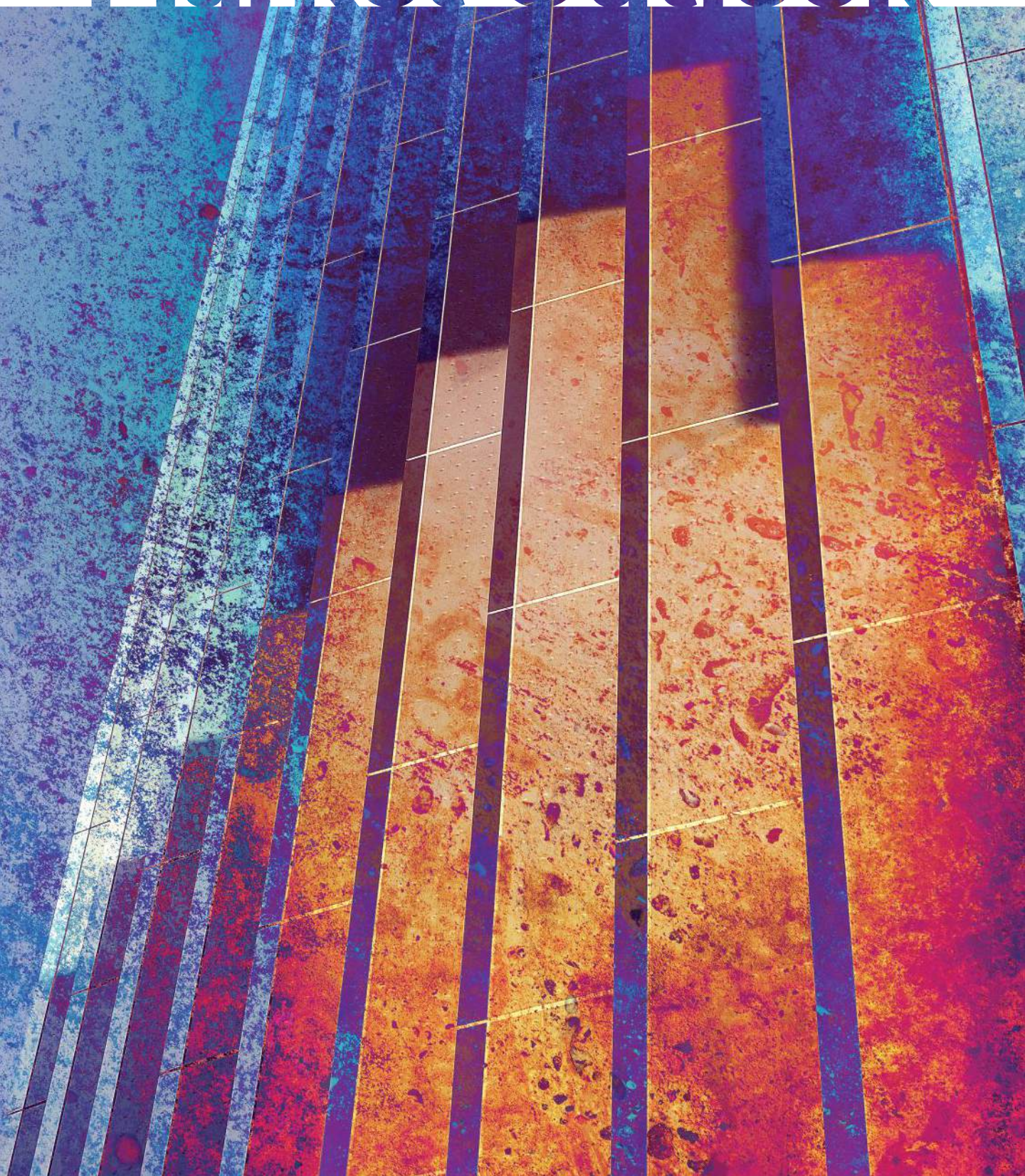


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The Outlook for 2025

Predicting the future of the investment markets is a fool's game.

Followers of our annual market outlook compendiums will notice that expectations for 2025—as explored here in these pages—are all over the map.

Many continue to believe that once the economy digests the “Trump Trade,” or that bump in market sentiment experienced in the wake of his election, we will see markets inevitably revert to the mean and bring valuations down to realistic levels. The final month of the year saw some weakening in the market as inflation expectations seemed to revise upward and the prospects for four rate cuts from the Federal Reserve next year dropped down to two.

Some market watchers here are anticipating a significant correction by the end of 2025. Prices in many large sections of the market remain historically “frothy.”

And yet...the notion that the investing class, and those who advise them, are due for some kind of reckoning seems quaint. Markets continue to rise, seemingly inexorable. According to the November reading of our own WMIQ Advisor Sentiment Index, RIA optimism in the economy and the stock market are at yearly highs.

In truth, no one knows what is going to happen. That's why a compendium like this can be helpful. It provides exposure to a range of market commentary, a variety of voices and expertise, in a quick, easy-to-digest format. Most important, they do not all come to the same conclusion.

Flip through the pages and you may come across an insight, data point or perspective that contributes to your own take on the markets, or the economy, and helps you in investment discussions with your own clients. Or maybe something hits a nerve and prompts you to write your own opinion piece in response. (If you do, we'd welcome a chance to review it for possible publication.)

Let serendipity be your guide. If there is something here that, even in a small way, helps you, your practice and your clients, we'll consider it a success.

Here's hoping you all prosper in 2025.

David Armstrong

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Exceed the Modernized Demands of Clients

By Randy Jones
ZEPHYR



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While many wealth management organizations have already started to implement AI into their operations, the determination of use cases will continue to evolve. Wealth management firms consistently review their workflows to determine how the right technology can make them more efficient while enhancing the client experience. This upcoming year will be key to redefining their tech stack and how technology can be scaled across business.

Getting the customer experience (CX) right is known to be an important piece of the puzzle, so using new technology and AI to improve CX should be the primary objective when reviewing your current tech stack. And enhancing experience through more meaningful client engagement begins with client communication.

Creating efficient, yet personalized, client communication can result in more meaningful client engagement and AUM growth. And clients, particularly the younger generations who expect and demand a more bespoke service, will be more likely to work with financial advisors who leverage AI during client engagement.

And so it goes, that all financial advisory clients will soon demand fluid, timely and creative communication and on-demand data and information about their investments and progress toward their financial goals. The one-size-fits-all PDF strategy is already feeling pressure from more digital and ‘playful’ ways to interact and interpret portfolio status. Leveraging AI in these areas could give advisors the communication edge with their clients, which could make all the difference when it comes to future-proofing your business.

It’s clear that the next generation of investors will not be satisfied with the old reporting habits, and your legacy clients will soon follow suit. Everyone will want their data when, where and how they want it. But when conducting an audit of your current tech stack with the future of AI in mind, or if you’re a step ahead and are already getting started, it’s important to consider the following:

Is your data infrastructure ready?

Like all technology, data drives AI. If you do not have

solid data structures, data risk controls in place, and reliably clean data, you run the risk of “garbage in, garbage out”. So, firms who wish to employ AI must update their data standards and upgrade their data infrastructures to ensure stable access

to data input. RIAs will be presented with advanced data analytics platforms that include new visualization tools and integrating big data analytics to help users make informed decisions by easily digesting complex datasets.

Is your platform secure and able to provide compliance approved communication?

The wealth management industry is highly regulated, and regulation on AI generated recommendations is not far behind. While creating personalized AI generated client communication will be a goal for most firms, making sure the communication is compliant while also being secure will be of utmost importance. For advisory firms, documentation will be the key to successful use of AI-driven processes. Not only meeting regulatory agency compliance, but decisions using AI need to be well documented and retrievable, and clearly documented procedures for testing and validating AI models and algorithms.

In order to differentiate your practice, it will be important to reimagine your tech stack in 2025 and leverage innovative technologies that allow you to enhance the CX through more meaningful client engagement. ■

Randy Jones is the Director, Product Manager, of Zephyr, an award-winning Asset and Wealth Management solution that helps investment professionals like you plan, invest, monitor and grow. [Get in touch to learn more.](#)

Learn more at www.ZephyrFinancialSolutions.com and [LinkedIn](#).

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Private Markets' Trillion Dollar Question

With the largest-ever intergenerational wealth transfer underway, how much will end up in private markets?

By Michael Weisz

YIELDSTREET

Private wealth managers face a defining moment. The largest intergenerational wealth transfer in history is underway as **\$84 trillion in assets** will transfer from Baby Boomers to younger generations over the next two decades—an event known as 'The Great Wealth Transfer.'

For asset managers, this movement of wealth represents both an opportunity and a challenge. As younger generations inherit this wealth, they're indicating a shift in investment preferences versus their parents—one that could reshape asset allocation decisions for decades to come.

A New Investment Mindset

Three-quarters of wealthy Millennials and Gen Z investors believe traditional stocks and bonds alone cannot deliver above-average returns, according to [Bank of America's 2024 Study of Wealthy Americans](#). This skepticism manifests clearly in their portfolio choices, with 93% of wealthy investors aged 21 to 43 saying they are likely to allocate more to alternatives in the next few years, compared to just 28% of those 44 and older.

Notably, this allocation gap reflects more than just higher risk tolerance. Younger investors maintain higher alternative allocations regardless of whether they identify as conservative or aggressive investors—a departure from previous generations that reveals how this generation views alternatives not as a risky add-on, but as a core portfolio building block.

Following the Money

The impact of the wealth transfer on private markets will depend on several key factors. Young wealthy investors currently hold 17% in alternatives versus 5% for older generations, according to the same Bank of America study. If this allocation gap persists, it suggests significant potential flows to private markets—but several structural considerations make a direct forecast difficult.

First, not all inherited wealth gets reinvested. Of the \$84 trillion expected to transfer, about \$12 trillion is already earmarked for charity according to [Cerulli Associates](#). Even when wealth is reinvested, current allocation preferences may not hold because investors often become more conservative as they age or inherit wealth. Private markets also face capacity

Age: 44+		Age: 21-43	
41%	US stocks	Real estate investments	31%
32%	Real estate investments	Crypto/digital assets	28%
25%	Emerging market equities	Private equity	26%
18%	International equities	Personal company/brand	24%
15%	Private equity	Direct investment into companies	22%
15%	Direct investment into companies	Companies focused on positive impact	21%
12%	Bonds	Bonds	17%
4%	Crypto/digital assets	US stocks	14%

Source: 2024 Bank of America Private Bank Study of Wealthy Americans

constraints. Unlike public markets, private investments require sourcing deals and managing companies, activities that do not easily scale to accommodate massive capital inflows.

Still, financial firms invested in private markets are already prepared for substantial growth. Industry projections from [Bain & Company](#) predict assets growing at 9% annually through 2033, with retail investors' share rising from 16% to 22%.

The key question may end up being not just how much capital will flow into private markets, but who can evolve their infrastructure and offerings to effectively absorb and deploy it.

An Industry-wide Response

For an industry historically built around institutional investors, this demographic shift requires reimagining how private markets operate, communicate, and deliver value. The winners will be firms that can maintain institutional-quality investments while making them accessible and digestible for a new generation of investors.

We're already seeing these changes take shape. Traditional quarterly reporting is giving way to digital platforms with more frequent updates and some firms have launched products with monthly liquidity options—a significant shift from the typical 10-year lockups.

But capturing this opportunity requires more than just new products or better technology. Data shows younger investors approach investment decisions differently, as **half of wealthy investors under 43** prefer to get their financial content from social media, compared to just 6% of those over 44.

For those firms who adapt, the reward is undeniable: a central role in managing a multi-trillion dollar shift in wealth. ■

Michael Weisz is the CEO of Yieldstreet.

[Learn more at www.yieldstreet.com.](https://www.yieldstreet.com)

[See disclosures here.](#)

1. Source: Bank of America Private Bank; 2. Source: Cerulli Associates; 3. Source: Bain & Company



For Housing, Supply is the Key

By Paul Fiorilla

YARDI MATRIX

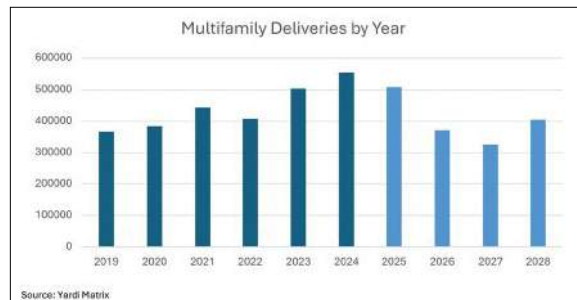
Supply is the key issue in multifamily, not just now but for the next decade. In the near term, robust supply growth is the biggest determinant of rent growth in metros and regionally. In the medium term, the decline in starts in 2024 will cause deliveries to drop sharply, likely providing a boost to rent growth in 2026 and 2027. In the long term, the severely underhoused U.S. needs an infusion in new housing units or the growing affordability problem will only get worse.

Deliveries in all rental segments hit multi-year highs in 2024, roughly 550,000 market-rate multifamily units, 71,000 affordable multifamily units and 36,000 single-family rental units, according to Yardi Matrix. The number of deliveries in all segments very greatly by region, concentrated in high-growth markets, which not surprisingly are recording negative rent growth year-over-year as supply is temporarily outstripping demand.

Dallas, for example, is a leader in market-rate multifamily deliveries in 2024 (nearly 25,000 units), and also has a significant amount of affordable (1,400) and SFR deliveries (3,000). Phoenix is the leader in SFR deliveries (about 5,500 units), and also is among the leaders in market-rate (22,000) and affordable (2,100) deliveries. Austin is the leader in affordable unit deliveries in 2024 (nearly 4,000) and also among the tops in market-rate (24,000) construction. Austin also has 780 SFR units forecast to be delivered. Even though demand remains robust, advertised rents in those markets are negative year-over-year. As of October, Austin's advertised rents were -5.5% year-over-year, while Phoenix was -2.4% and Dallas -1.5%, per Matrix. It could take months or quarters for these markets to absorb the high levels of new supply and get back to positive rent growth.

The Matrix forecast calls for deliveries to drop slightly next year and much more sharply in 2026. Multifamily starts dropped to 315,000 as of the third quarter of 2024, less than half of the recent peak of 707,000 in Q2 2023 and the lowest number since Q1 2018, per Matrix. Our 2025 forecast is 508,000 for market rate, 74,000 for affordable and 29,500 for SFR, and in 2026 our projection is 371,000 for market-rate multifamily, 57,000 for affordable and 23,000 for SFR.

The reduction in deliveries could jumpstart a new round of rent growth in 2026, unless demand falters, which is not the base case given the growth in the top renter age cohorts



and the continuing high cost of homeownership that keeps families in rentals. Immigration policy in the new administration remains a wildcard that could be a headwind for demand.

It would be foolish, however, to think of housing only in the short term. The U.S. has underbuilt housing since the Great Recession, with a deficit of several million units built up over years where the number of households grew faster than the housing stock. Even though there is a short-term glut in some markets, over the next decade policymakers will be challenged to find ways to streamline the development process, incentivize zoning reform and fund programs such as the Low-Income Housing Tax Credit (LIHTC) and Section 8 credits in order to create stock that meets the needs of households in all income levels. ■

Paul Fiorilla is Director of Research at Yardi Matrix.

[Learn more at www.yardimatrix.com.](http://www.yardimatrix.com)

Yardi® Matrix

Economic Growth's Ripple Effects on Multifamily and Industrial Real Estate

By Brian Cornell
WALKER & DUNLOP

The U.S. economy is on a resilient path, demonstrating solid fundamentals that suggest positive opportunities for real estate investment. With a 2.8% GDP growth in Q3, stable inflation near the Federal Reserve's target, and an unemployment rate of 3.7%, the macroeconomic landscape provides a favorable backdrop for multifamily and industrial sectors. Real consumer spending surged by 3.7%, while personal wealth grew by \$221 billion, fueled by a 3% increase in average hourly earnings¹. These metrics reflect a strong economic foundation that financial advisors can leverage to guide strategic asset allocation and portfolio diversification.

Multifamily: Balancing Growth and Challenges

The multifamily housing market shows robust recovery, with Q3 annualized absorption hitting 488,000 units—an 88% increase from pre-pandemic norms. This demand significantly outpaces new construction starts, which remain at 247,000 units, creating a supply gap that bolsters rental growth, currently exceeding 3% for the quarter. Vacancy rates have steadied at 5.3%, while transaction activity gained momentum, rising 10% year-over-year to \$27 billion².

However, challenges remain. High interest rates continue to constrain financing, and distressed opportunities are rising, with a notable uptick in CMBS loans entering special servicing. For advisors, this environment signals potential opportunities for clients interested in value-add or opportunistic strategies in multifamily assets.

Industrial: A Resilient Sector Amid Uncertainty

Industrial real estate maintains firm footing overall, with vacancy rates at 6.4%, well below the historical average. Year-over-year rental growth reached 4.3%, although net absorption normalized to 29.4 million square feet in Q3, down from 45.4 million in Q2. This deceleration reflects cautious tenant expansion amid political and economic uncertainties.

Construction activity also lags, with only 309 million square feet under development—marking the lowest level since 2018³. Limited new supply positions existing assets for continued demand, particularly for smaller industrial buildings in infill locations where vacancy rates remain well below the larger building segment. Private buyers accounted for



43% of industrial sales volume in 2023⁴, highlighting a shift in market dynamics that advisors should monitor for mid-market acquisition strategies.

Navigating the Road Ahead

For wealth managers, understanding these trends is critical to identifying opportunities and managing risks. Multifamily and industrial assets stand out for their resilience and growth potential despite headwinds such as financing constraints and geopolitical uncertainties. Forward-looking strategies emphasizing tenant relationships, operational efficiencies, and adaptability will be essential for maximizing returns in a competitive landscape.

Wealth management professionals can leverage these insights to guide client decisions, tapping into markets poised for sustained demand and strategic growth. By aligning investment goals with the evolving commercial real estate landscape, advisors can position clients for success in a dynamic economic environment. ■

Brian Cornell is Managing Director, Portfolio Manager | Equity at Walker & Dunlop Investment Partners.

[Learn more at www.walkeranddunlop.com/investment-partners.](http://www.walkeranddunlop.com/investment-partners)

Important Information: All investments have risk of loss; past performance is not indicative of future results. WDIIP investments are available only to qualified sophisticated investors. The opinions and forward-looking statements are that of the author at the time this letter was written and subject to change and market conditions change.

1. U.S. Department of Commerce and U.S. Bureau of Labor Statistics

2. Multifamily statistics obtained from Walker & Dunlop October 2024 Market Intelligence Group Report

3. Cushman and Wakefield Industrial Q3 2024 Market Report

4. CoStar Industrial Capital Markets Report- Q3 2024

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¹Total Transacted Debt & Equity represents the aggregate Total Capitalization (since the founding of WDIP) of all equity investments made and managed through WDIP funds and joint ventures and senior debt originated and managed (both on an advisory and non-advisory basis) through WDIP. Several of the direct lending programs and debt JVs were operated by W&D debt teams on a non-advisory basis prior to joining WDIP. One of the private real estate funds is in the fundraising phase.

²AUM represents the outstanding Total Capitalization of all equity investments made and managed through WDIP funds, co-investments and joint ventures, plus senior debt originated and managed/ serviced (both on an advisory and non-advisory basis) through WDIP joint ventures and separately managed accounts as of September 2024. See full disclosures for regulatory AUM.



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Your Clients Need Peace of Mind in 2025. Give It to Them With Estate Advice

By Gene Farrell
VANILLA

— 10TH ANNUAL —
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Industry Awards
Finalist

How many financial advisors market themselves as providers of “comprehensive” or “holistic” planning?

Now, how many of them offer estate advisory services?

We know that demand for estate planning is on the rise. Vanilla's latest [State of Estate Planning survey](#) found that 80% of respondents expect their advisors to include estate planning as part of their services, and 90% believe that tax expertise is important when choosing an estate planner.

I believe the industry sees this opportunity, but I think too many advisors are skipping estate planning conversations. Many believe they are just for taxable estates, while others simply refer them to specialists. Attorneys and accountants will always play major roles here, but advisors should leverage their depth of client relationships to drive the estate planning strategy.

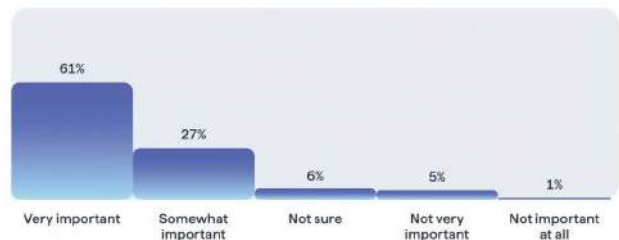
Estate planning offers significant non-tax benefits for clients at lower wealth levels, including income replacement, asset protection, small-business continuity planning and consolidated asset management. The key to successful legacy planning in this context is setting clear goals first and considering tax-management second.

But taxes will be top of mind in 2025. Advisors can expect some form of extension of the estate tax exemption rates put in place with the 2017 Tax Cuts and Jobs Act. Advisors and their clients might be tempted to breathe a sigh of relief about sunseting estate tax exemptions and focus elsewhere. Because the estate tax laws tend to be shorter lived than clients, advisors should help clients design plans that can adapt to potential changes. By maintaining adaptable strategies, clients will be better positioned to respond to future shifts without compromising core goals.

This may sound like hard work for advisors. But the good news is that there is now an array of technologies that can make it easier for advisors to provide end-to-end estate planning at scale. Modern client experiences are giving clients a better way to get core documents in place. And [AI is transforming legal documents](#) into easy to understand diagrams. In 2025 we'll continue to see a proliferation of

Nearly 90% of respondents value tax expertise when selecting an estate planner, with 61% considering it “very important.”

How important is a professional's expertise in navigating tax complexities when deciding to use their estate planning services?



Source: Vanilla 2025 State of Estate Planning Report

advisor-specific, [AI-infused tools](#) that will have the cumulative effect of making it easier for advisors to give all of their clients the kind of estate planning experience that used to be the sole purview of UHNW families.

Armed with new technology, estate planning will be the biggest differentiator in new client pitches. Advisors will be able to present a holistic view of the entire client's estate and identify value-add opportunities for the client or prospect beyond investments.

If it feels like advisors are being asked a lot of these days, that's because they are. It's no longer enough just to dial in a client's portfolio—the best advisors are taking a more holistic approach, and estate planning is an essential part of this. That's good, because more families than ever will need advisor-driven estate strategy services—and more advisors will be equipped to give it to them. ■

Gene Farrell is CEO of Vanilla.

[Learn more at www.justvanilla.com](http://www.justvanilla.com) and [LinkedIn](#).

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Power is Everything

By John Love

USCF INVESTMENTS

“Power is everything.” This is an oft-quoted line from the film Apollo 13. It also neatly sums up the industrial and technical revolutions of the last two-hundred years. Human ingenuity, technology, capital, and labor drive economic expansion. But underlying it all, energy has been everything.

That’s not about to change. Witness the latest movers and shakers in the energy space: Microsoft and Amazon. Tech firms are striving to acquire small-scale, modular nuclear reactors to support their expanding power demands from AI and cloud storage. This is the free market, finding optimal solutions to real problems in real-time. Unexpected and tangible projects like these will transform the energy landscape in ways policymakers, academics, and forecasters cannot predict.

What does this mean for investors? How should investors approach energy in their portfolios? What should investors consider for 2025 and beyond?

Crude oil faces headwinds in 2025. Major trade groups project that crude oil supply will exceed demand by approximately 1 to 1.5 million barrels per day. The outcome of the recent U.S. election means less restraint on domestic producers (though this doesn’t necessarily translate to meaningful supply increases given the industry’s capital discipline). Meanwhile, OPEC is itching to put barrels back on the market after years of quotas and voluntary cuts (though the cartel has showed tenacious, data-driven restraint despite record excess capacity). A geopolitical shock could send oil slicing through the headwinds. Current price levels are muted. However, the term structure of futures prices (showing a preference for physical crude over dated contracts) suggests the market is worried about something beyond fundamentals.

Exports of liquid natural gas are internationalizing price sensitivity. The new U.S. administration is likely to ease restrictions on exports and infrastructure and pivot away from renewables, benefiting natural gas.

Energy equities and MLPs move with fossil fuel prices but are also driven by equity beta and individual company fundamentals. While both equities and MLPs have featured strong returns over the last several years, MLPs are known



for providing income. That income may continue to grow even if underlying oil or natural gas prices fall, offering a different way to play energy markets.

Renewables will continue to grow. The amount of energy supplied by solar, wind, and other renewables has grown rapidly. However, the demand for energy has grown even more. The world needs all sources of energy, even fossil fuels.

Energy investors should keep three things in mind for 2025 and beyond. First, power demand will continue to

rise. McKinsey forecasts it will more than double by 2050. Second, while dominant power sources will change over time, the timeline and effects are difficult to predict. In 2021, Goldman Sachs expected oil demand to peak in 2023. It now calls for “Peak Oil” in the early 2030’s. When that happens, supply (and prices) will adjust. Third, boom-and-bust cycles characterize every form of energy. To reduce risk and participate in all the “booms”, investors should consider allocating to a broad range of options including fossil fuel commodities; new energy commodities like copper and lithium; nuclear, wind and solar; sector funds or single stocks; MLPs (especially for income); and even long-shot plays on new technology like cold fusion.

Wherever it comes from, every person, company, and institution on earth depends on energy and always will. Power is everything. ■

John Love is President and Chief Executive Officer of USCF Investments.

[Learn more at www.uscfinvestments.com](http://www.uscfinvestments.com), [LinkedIn](#), [Facebook](#) and [Instagram](#).

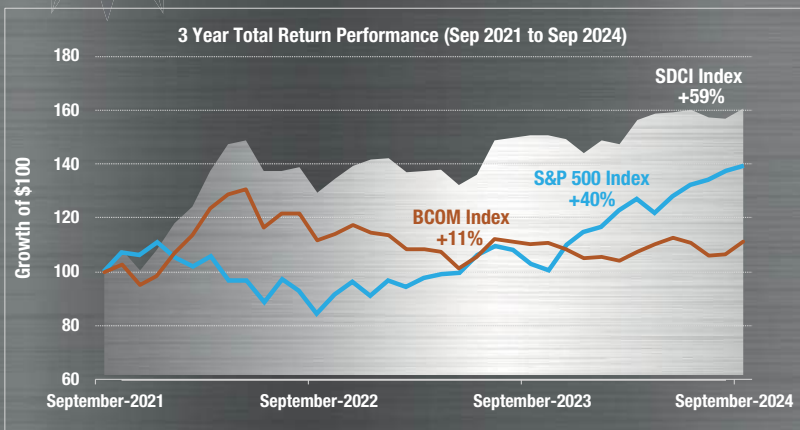


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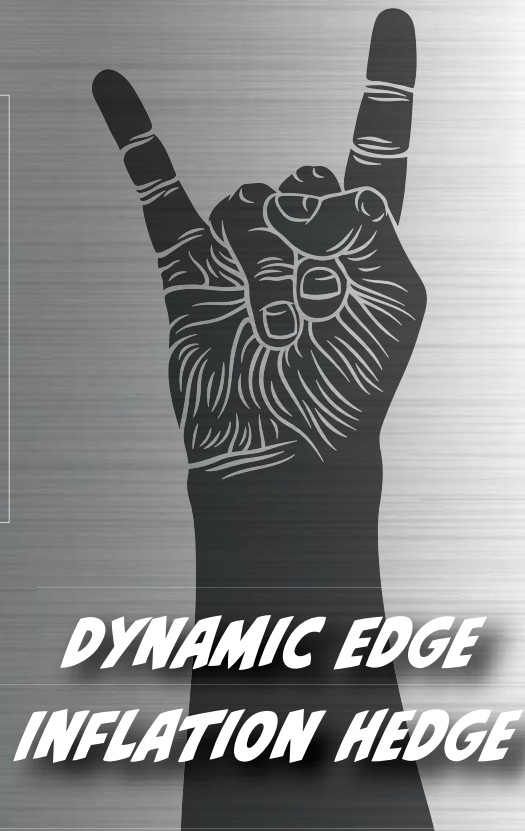
**USCF SummerHaven Dynamic
Commodity Strategy No K-1 Fund**



Source: Bloomberg LP

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INDEX DEFINITIONS

Bloomberg Commodity Index Total Return (BCOM TR): is an index that tracks the performance of 22 broadly diversified commodity futures contracts. Prior to July 1, 2014, BCOM was known as the Dow Jones- UBS Commodity Index.

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S&P 500: The Standard & Poor's 500, often abbreviated as the S&P 500, or just the S&P, is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ.

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Navigating the Annuities Market in 2025

By Dave Hanzlik
TRUSTAGE

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The annuities industry has demonstrated impressive resilience and growth in 2024, poised for a record-breaking year. This dynamic landscape reflects a significant shift in consumer expectations, highlighting the need for accessible and reliable financial products. As the market evolves, the ability to respond to changing consumer preferences is crucial for maintaining momentum and addressing emerging challenges.

Several trends should shape the annuities landscape in 2025. Tax changes, evolving demographics and increasing digital demands will be pivotal in product design and marketing. Additionally, the rising interest in registered index-linked annuities (RILAs) presents both opportunities and challenges, especially as fixed annuity (FA) sales may slow if rates fall. Firms need to be agile in addressing retention concerns for fixed annuities while capitalizing on shifting consumer preferences.

Impact of Recent Rate Cuts

Major changes have yet to materialize from the Federal Reserve's rate cut in September. Future rate changes could significantly influence consumer demand for annuities in 2025. While lower rates may challenge certain products, they also highlight the value of guarantees that annuities provide across various interest rate environments.

Additionally, inflation is expected to drive demand for FAs while fostering a shift toward RILAs and variable annuities (VAs). As inflation concerns persist, consumers may increasingly seek products that offer potential growth and protection against rising costs.

Adapting to these shifting dynamics with product adjustments and availability will be key to effectively meeting consumer needs.

Regulatory and Tax Considerations

In 2025 taxes may again take center stage, with the previous Trump tax changes set to expire. Stakeholders must stay informed and adapt to these evolving conditions to ensure compliance and protect consumer interests. Emphasizing the importance of guarantees will be crucial, ensuring that products remain accessible and valuable.

Going Digital

Consumer preferences are reshaping the annuities market, especially regarding digital convenience. Today's consumers expect to access information and conduct transactions online, necessitating

a focus on simplicity and ease of use. As firms adapt to these preferences, leveraging technology to enhance customer experience and streamline operations will be essential.

Addressing Industry Challenges

Prioritizing innovation, especially in income solutions, will help firms better meet the diverse needs of consumers entering retirement.

It's vital for industry stakeholders to recognize the significance of guarantees in supporting consumer financial security. A focus on regulatory evolution that protects customers while enhancing access to these guarantees will be critical. By embracing innovation and adapting to changing market conditions, the annuities industry can effectively navigate the uncertainties ahead and continue to serve its clients. ■

Dave Hanzlik is Wealth Segment Leader at TruStage™, an insurance, investment and technology provider for the middle class, built on the philosophy of people helping people and the belief that a brighter financial future should be accessible to everyone.

[Learn more at www.trustage.com/annuities.](http://www.trustage.com/annuities)

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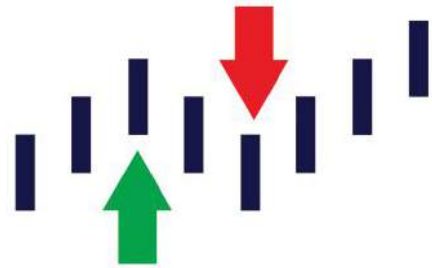
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Why Volatility Will Persist in 2025 and How Investors Can Help Prepare

By Amy Cameron
TRUSTAGE



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As we approach the end of 2024, the resilience of the U.S. economy remains evident, with growth projected to continue. From our perspective, it's become increasingly apparent that volatility will continue to be a defining characteristic of the markets in 2025. For investors, it's important to remember that market fluctuations can have positive and negative implications, and several factors contribute to this sustained volatility. Understanding these dynamics to better prepare for the year ahead is crucial.

Monitoring Monetary Policy

One of the primary reasons for continued market volatility stems from the Federal Reserve's ongoing efforts to balance inflation and employment. Despite the recent 50 basis point cut to the Fed funds rate in September, the dual mandate of managing inflation down to a 2% target and sustaining employment levels could remain challenging.

Investors should also be mindful of geopolitical tensions and macroeconomic events that add layers of complexity to the market environment. Ongoing conflicts, such as those in the Middle East and between Ukraine and Russia, create additional headwinds. Further, we will have a new president in January, representing new policy goals and priorities. The Federal Reserve's comfort level with inflation and unemployment trends also plays a crucial role in shaping market expectations. It is my baseline expectation that we will continue to see market volatility persist through 2025 due to these varied and interlinked factors.

How Can Investors Prepare?

Given this backdrop, how should investors approach their portfolios in the coming year? The key lies in diversification. At TruStage, we manage assets to closely align with our insurance liabilities, and diversification is a key tenet of our investment philosophy. This approach can be translated into individual wealth management strategies which financial professionals can deploy on behalf of clients.

Understanding individual risk tolerance, time horizons, and liquidity needs is vital for crafting resilient portfolios that can weather fluctuations. Working in tandem with their financial professional, investors can stay educated about the broader economic context and its potential impacts, enabling them to navigate uncertainties with confidence. By

remaining adaptable and vigilant, investors can better position themselves to seize opportunities and help mitigate risks in an evolving landscape.

Moreover, maintaining flexibility and readiness for uncertainty is crucial. Assigning probabilities to potential outcomes, whether related to policy shifts or economic indicators, can inform investment decisions. However, the unpredictable nature of these events necessitates a well-rounded and adaptable portfolio.

Building Resilience for the Future

As we look ahead to 2025, the landscape for investors is shaped by a combination of resilience and uncertainty, all underpinned by ongoing and heightened volatility. The recent rate cuts by the Federal Reserve signal a strategic shift aimed at fostering economic growth while managing inflation, helping to create a more favorable environment for investment. These adjustments, coupled with a gradual stabilization of inflation, offer opportunities for investors to recalibrate their strategies.

Maintaining a diversified portfolio and staying attuned to market dynamics will be essential as geopolitical factors and fiscal policies continue to evolve. By approaching 2025 with a proactive mindset and a focus on informed decision-making, investors can position themselves to better weather the market's fluctuations and help ensure their portfolios remain resilient amidst uncertainty. ■

Amy Cameron is Chief Investment Officer of TruStage™, an insurance, investment and technology provider for the middle class, built on the philosophy of people helping people and the belief that a brighter financial future should be accessible to everyone.

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Estate Planning Insights Advisors Need in 2025

By Cody Barbo
TRUST & WILL

As we enter 2025, estate planning presents both challenges and opportunities for financial advisors. Trust & Will's recent [Financial Advisor Survey](#) highlights a paradox: while nearly all advisors agree estate planning is crucial, **25% of advisors without Trust & Will affiliation lack plans for themselves**. This discrepancy, known as the "advisor gap," mirrors a larger trend of procrastination in estate planning among clients. Advisors can seize this opportunity to strengthen credibility by setting an example, bridging the gap between recommendation and action.

Estate Planning: Not Just for the Wealthy

A surprising finding from the survey reveals that estate planning is increasingly accessible beyond high-net-worth individuals. Traditionally, advisors have recommended estate planning for clients with a minimum net worth of \$250,000. However, **44.4%** of Trust & Will-affiliated advisors suggest clients with as little as \$50,000 could benefit from estate planning. By promoting estate planning as a service for all, advisors have the potential to expand their client base, addressing financial security needs across various wealth brackets.

The Great Wealth Transfer: An Evolving Opportunity

The anticipated Great Wealth Transfer—a multi-trillion-dollar shift from Baby Boomers to younger generations—was expected to increase demand for estate planning. Surprisingly, **only 45% of advisors** report seeing a substantial rise in demand from this wealth shift. For advisors, this signals a growth area: proactively engaging clients in estate planning conversations, especially those nearing retirement, can ensure smoother transitions and foster stronger relationships.

Interestingly, **36.6% of Trust & Will advisors** involve clients' adult children in financial discussions, which creates more stable, multi-generational client relationships. Advisors who engage multiple generations are better positioned to retain assets and build legacy-focused relationships as wealth transitions to younger family members.

Addressing Barriers to Estate Planning

While many advisors recognize estate planning's value, significant barriers prevent non-affiliated advisors from offering it directly. Common hurdles include legal complexities,



cost, and lack of expertise, which often lead advisors to refer clients to external providers. This reliance on referrals limits client retention and growth opportunities. By contrast, Trust & Will-affiliated advisors report positive outcomes, with **66%** noting stronger client relationships after integrating estate planning and some seeing increased assets under management. Advisors interested in building a competitive edge might explore accessible, user-friendly solutions that simplify estate planning.

Estate Planning as Holistic Financial Strategy

Ultimately, estate planning is about more than wealth—it provides clients with security, peace of mind, and continuity. Advisors who integrate estate planning into their core offerings not only support clients across wealth levels but also drive growth in their own practices. In fact, **7% of advisors reported an increase in AUM** as a direct result of offering estate planning, highlighting its tangible impact on business. Furthermore, by making estate planning a proactive part of annual reviews, advisors uncover opportunities within their existing client base and often gain referrals from satisfied clients.

So as 2025 approaches, advisors have a unique chance to lead by example and stay competitive in an evolving landscape. Insights from Trust & Will's survey underscore that estate planning is an essential service; and by breaking down barriers and connecting with clients at every life stage, advisors can deliver lasting value and strengthen their practices for years to come. ■

Cody Barbo is the CEO and Founder of Trust & Will. Trust & Will's tools and pricing options make estate planning more achievable, allowing advisors to provide a more comprehensive client experience and tap into growth potential that spans generations.

Learn more at www.trustandwill.com, [LinkedIn](#), [Facebook](#), [Instagram](#) and [TikTok](#).

trust&will

Advisor's Evolving Roles in the Age of AI

By Bill Coppel
TRADEPMR

— 10TH ANNUAL —
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Since its emergence in 2023, generative artificial intelligence (AI) adoption has increased steadily, leaving most businesses racing to explore its potential benefits, according to McKinsey & Company.

Leaders in the wealth management space are using AI in their daily operations for everything from streamlining back-office functions to automating custodial transfers. Innovations, such as **TradePMR's Fusion SYNC** platform, are designed to enable such advancements. Advisors also appear to be tapping into AI's ability to remove emotion from portfolio management, creating data-driven algorithms to inform their planning strategies.

AI's expanding capabilities question the value of human capital in the wealth management space.

Will AI Replace Humans?

While AI can drive efficiency in many ways, its usage is likely most effective when paired with human intelligence. Such is the case with **Apollo**, a tech platform designed to harness AI and behavioral science to help power personalization at scale.

What AI has not yet been able to master is emotional intelligence (EQ). Although AI can *simulate* EQ, it has not yet demonstrated the ability to replace the authenticity of deep human connection, according to a Psychology Today article published in 2024. This potentially presents a unique opportunity for advisors to address their clients' desire for personal interaction.

A Historical Reflection

Wealth management was built on a chassis of portfolio management. It has gone from serving as an access point to performing as a wealth-building tool, before evolving into an asset allocation mechanism and a planning vehicle. Now, it is focusing on personalization. This represents a shift from building and distributing wealth to identifying and achieving what's important to clients on a deeper level—creating strategies to help them live purposeful lives.

The Future-Focused Advisor

What once were referred to as “soft skills” are becoming

“core skills” in the wealth management space.

Given that modern medicine is increasing longevity, according to research by Swiss Re Group in 2023, there is a greater need for advisors to

adopt a more behavioral approach with their clients. By asking thought-provoking questions, they can better align financial strategies with clients' primary goals around achieving well-being. Deeper conversations can help clients balance financial resources with their mental, physical and emotional health, while fostering a greater awareness of the world around them.

With AI creating efficiencies, advisors can repurpose time they once spent on operational functions to instead focus on building up their EQ, which is the practice of putting soft skills into action. This shift may support advisors' efforts to offer a more personalized client experience, adding value beyond transactional services traditionally associated with wealth management.

The Best of Both Worlds

Helping clients define what truly matters and supporting them in pursuing those aspirations is arguably the most important job an advisor can do. By rethinking their roles and reskilling to supplement their IQ with EQ, advisors may better adapt to evolving client needs.

Coupling this human insight with AI's capabilities to complement advisor expertise could position wealth managers to serve clients more effectively, now and in the years to come. ■

Bill Coppel is Chief Client Growth Officer at TradePMR.

Learn more at tradepmr.com, [LinkedIn](#) and [Facebook](#).



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Demystifying Probate: Myths, Misconceptions, Costs and 2025 Changes

By Amy Bloom

THE BENEFICIARY LIQUIDITY PLAN

Probate is the legal process for filing a will with the county court or settling an estate without a will. Most people only encounter probate when dealing with a loved one's death. According to a survey by Trust and Will, the average probate process takes about 20 months and costs 3% to 7% of the estate's value, which can range from a few hundred dollars to tens of thousands. These costs include court fees, attorney fees, executor fees, and miscellaneous expenses, reducing the legacy left behind.

Understanding probate helps families prepare their estates to bypass the process. Common misconceptions include:

Inheritance is Automatic: 35% of people believe this, but assets transfer quickest through beneficiary designations, which must be updated regularly.

Time Required for Probate: Only 2% correctly identified the average timeline of 20 months. Many underestimated the time required.

Cost of Probate: Costs vary by estate size and state. For example, a \$750,000 estate billed at 3% amounts to \$22,500, surprising the 10% who guessed it cost less than \$1,000.

To avoid probate, consider these strategies:

Living Trusts: Assets in a living trust do not go through probate.

Joint Ownership: Property jointly owned with rights of survivorship passes to the surviving owner(s) without probate. Use caution as tax and liability risks may outweigh the costs of probate.

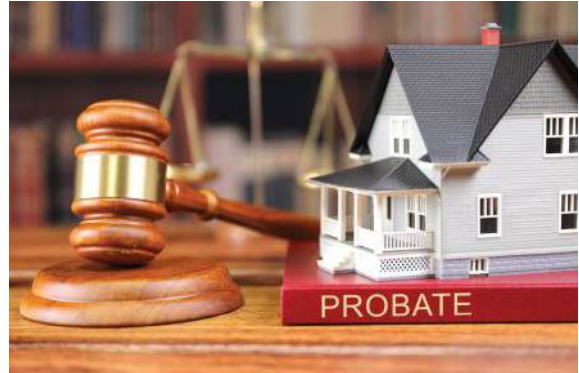
Beneficiary Designations: Designate beneficiaries on accounts like life insurance and retirement accounts.

Transfer-on-Death Deeds: Some states allow real estate to be transferred directly to a beneficiary upon death.

Celebrities often illustrate the importance of estate planning. For example, Matthew Perry's estate mostly transferred through trusts, but one bank account without beneficiaries required probate, making details public. Ensure all assets are part of the trust to avoid probate.

For real property, consider a trust or transfer-on-death deed. While creating a trust can cost around \$4,000, it saves effort later. The goal is to pass real property outside of probate, which takes less time.

In 2025, significant changes are expected in estate and probate laws, primarily due to the expiration of the Tax Cuts and Jobs Act (TCJA). Here are a few additional points to consider:



Estate and Gift Tax Exemption: The reduction in the exemption amount to around \$6 million per person could lead to more estates being subject to federal estate taxes. This makes it crucial for high-net-worth individuals to review their estate plans soon.

Increased Transfer Taxes: Higher transfer taxes could affect the financial planning strategies of families with substantial assets. Utilizing the current exemption before it decreases might be a strategic move.

Potential Legislative Actions: The political climate will play a significant role in determining the final outcome. Keeping an eye on legislative developments will be important for timely adjustments to estate plans.

State-Level Impacts: Some states have their own estate or inheritance taxes, which could also change. It's essential to stay informed about both federal and state-level changes to ensure comprehensive estate planning.

Understanding probate costs, dispelling myths, and knowing ways to avoid probate can aid in effective estate planning. Consulting with an estate planning attorney is indeed a wise step to navigate these changes effectively. They can provide personalized advice and help you make the most of the current laws before they expire. Regularly update trusts and other legal documents as needed. ■

Amy Bloom works in business development for The Beneficiary Liquidity Plan.

Learn more at www.blpinfo.com, [LinkedIn](#), [Facebook](#) and [Instagram](#).



Beyond Money Management: Becoming Indispensable to Clients

By Erin Botsford

THE ADVISOR AUTHORITY



Over the last 3 decades, the financial services industry has weathered several storms—think, the dotcom bubble or the banking crisis, for example.

Throughout this turbulence, one thing has remained constant: the need for a trusted advisor – someone who protects client assets and livelihood, ensuring they're prepared for a safe and comfortable retirement.

Now there's another storm brewing that threatens financial advisors everywhere.

Soon it could be harder for advisors to reach the levels of success they used to.

There's a wealth transfer looming on the horizon and too many advisors are moving away from protections and personal touch, and leaning into AI and the one-sided business model of money management. With the online tools available

to individual investors to grow their portfolio with guidance from AI, investors—certainly the next generation—may not be convinced a human advisor is needed at all.

A recent Forbes article indicated 70-90% of heirs will fire their parents' financial advisor when they receive their money.¹

If advisors continue to pitch their investment strategies, firm philosophy, and performance, rather than addressing the elephant in the room, they're going to lose the generation they need to survive.

What is the elephant in the room? It is the looming question, *Why do I need you when my robo-advisor does everything I want?*

Advisors relying on apps, software, and the old methods of pitching investment performance will be grossly unprepared when the wealth transfer storm hits. This is because

Financial Director vs. Traditional Financial Advisor

FINANCIAL DIRECTOR

Holistic family wealth management, generational security, and risk mitigation

Estate planning, tax strategy, insurance guidance, asset titling, and legacy planning

Whole-family meetings, open discussions with heirs to ensure continuity and understanding

Directly involves heirs, educates them on financial planning and potential risks, builds trust across generations

Emphasis on protecting family legacy, minimizing risks, and ensuring a smooth transition for heirs

Strong trust and loyalty across the entire family, reducing the risk of clients switching advisors upon wealth transfer

TRADITIONAL FINANCIAL ADVISOR

Investment management, portfolio performance

Portfolio allocation, retirement planning, basic financial advice

Primarily with the individual client or primary account holder

Limited engagement with the next generation

Focus on financial products and investment performance

Client loyalty often tied to investment performance

the next generation has access to nearly every tool they have, effectively leveling the playing field.

However, there's a tried-and-true way to fortify your practice and move upmarket at the same time.

I learned early on in my career, moving upmarket and working with more affluent clients meant I had to adapt to their needs, instead of focusing on my firm's accolades, products, or performance.

The simple truth is I adapted by addressing the other side of the balance sheet—the risks and vulnerabilities my clients and prospects faced that could leave them exposed and potentially penniless in the event of financial catastrophe. These were areas no other advisor was adequately addressing so it became a huge point of differentiation for my firm.

Showcasing my expertise as the *Financial Director* for my clients, I successfully became the person the entire family trusted to look out for them. Exploring estate planning, insurance, taxes, asset titling and more, I made sure my clients—including their heirs—knew they were in the right hands with me and my firm.

We made sure to meet with the entire family and go through the entire plan together. Besides telling them what mom and dad had planned, I also pointed out how they, if they

were not careful, could screw things up. Having these frank conversations with family members created a bond with the next generation because they saw me and my firm as instrumental in protecting their inheritance.

In the time since I sold my firm, I am told not a single client has left. Even as wealth transfers and clients change, they still know they're in good hands with their advisor because he or she looks out for them like nobody else has, and no AI tool or robo-advisor can.

If you want to weather the coming storm and flourish while other firms flounder, you need to adapt and become more than a money manager—you need to become a Financial Director. ■

Erin Botsford, CFP®, is Founder and CEO at The Advisor Authority.

Learn more at erinbotsford.com and [LinkedIn](https://www.linkedin.com/in/erinbotsford).

The Advisor Authority™

Meaningful Simplification vs. Simplicity

By Kevin Knull
TAXSTATUS

Financial advisors face a growing challenge in today's complex financial landscape. Clients expect their advisors to act as fiduciaries, rendering advice that aligns with their best interests. However, advisors often find themselves working with incomplete data, which can then lead to **simplistic** recommendations. While simplicity may seem appealing, it often falls short of what clients truly need. Instead, advisors should focus on delivering **meaningful simplification**, an approach that transforms complexity into actionable insights while leveraging all relevant data.

To understand this distinction, let's consider a silly yet compelling analogy. Imagine walking into a doctor's office with a compound fracture of your elbow hidden under a sweater. When asked where it hurts, you point to your elbow, but the doctor doesn't investigate further. Instead, the physician takes your temperature, glances into your ears, and prescribes three aspirin a day for two weeks. The result? A failure to address the real issue due to a lack of critical information.

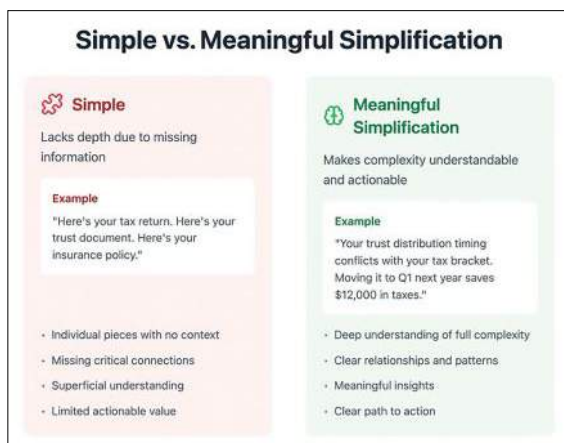
This scenario mirrors what happens when advisors provide recommendations without having sufficient data. A client might not disclose details such as ownership of multiple LLCs with losses, \$250,000 in unreimbursed medical expenses, the birth of a child, or the sale of a business. These factors can profoundly impact tax strategies, financial plans, and investment recommendations. Yet, without digging deeper, advisors risk offering advice that is incomplete—or worse, detrimental.

The Risk of Oversimplification

Simplicity often means addressing financial matters in isolation, leading to disconnected recommendations that miss the bigger picture. For instance, reviewing only a client's 1040 tax form won't reveal nuances found in supporting schedules, K-1s, or business returns. Similarly, overlooking historical data, such as trends over the past three years of tax filings, could mean missing opportunities for tax savings or strategic planning. In the analogy above, the doctor's failure to uncover the full scope of the injury might be considered malpractice. Similarly, failing to gather adequate financial data could result in advice that undermines the client's financial well-being.

Meaningful Simplification in Action

The difference lies in leveraging data to identify relationships, patterns, and actionable steps. This process transforms



complexity into clarity, allowing advisors to provide value far beyond superficial recommendations.

The Role of Comprehensive Data

The most accurate and comprehensive source of financial information is often the client's IRS record. Advisors should review not only personal tax returns but also K-1s, 1099s, business and estate tax returns, and relevant schedules. This approach reveals critical insights, such as hidden income sources, tax-loss opportunities, or discrepancies between accounts. Additionally, analyzing trends over multiple years provides a more dynamic view of the client's financial situation.

Why the Extra Effort Matters

Better data yields better advice, which leads to better client outcomes. As asset management continues to be commoditized, advisors can differentiate themselves by delivering holistic financial advice grounded in robust data. Clients are no longer satisfied with "simple" recommendations that fail to address their full financial picture. They expect advisors to dig deeper, uncover meaningful insights, and offer solutions that are both actionable and impactful.

By embracing meaningful simplification, advisors can transform raw data into elegant, actionable strategies that enhance client satisfaction and loyalty. The result? A practice that not only meets fiduciary standards but exceeds client expectations, positioning the advisor as an indispensable partner in their financial journey. ■

Kevin Knull, CFP® is President of [TaxStatus](https://www.TaxStatus.com), a tax data platform that provides frictionless, continuous IRS account monitoring and consent-based access to IRS tax records for financial professionals and their clients.

[Learn more at www.TaxStatus.com.](https://www.TaxStatus.com)



AI and Cybersecurity

Harnessing a Double-Edged Sword

By Dan Gregerson
SUMMITAS



The technology management landscape is becoming increasingly complex. As if that weren't enough, AI is simultaneously strengthening and threatening cybersecurity. Organizations must confront these challenges while integrating AI's business capabilities into their products and operations.

This article offers practical insights for protecting digital assets and privacy in the years ahead. AI, as a powerful tool, has the potential to significantly enhance cybersecurity defenses, offering a beacon of hope in the battle against evolving threats.

Modern security operations centers (SOCs) leverage machine learning algorithms to process vast amounts of telemetry data to identify subtle patterns that could indicate potential threats. AI-powered tools have dramatically improved real-time threat detection while reducing false positives. Systems like CrowdStrike Falcon, IBM QRadar, and Deep Instinct can identify anomalous user and system activities before they escalate into security incidents. Many such systems automate incident response to enable immediate threat containment or offer predictive analytics to anticipate and prevent security breaches before they occur.

But an AI arms race is happening now because AI is also an offensive weapon, empowering malicious actors to create increasingly sophisticated attacks. AI has spawned

intelligent malware that can quickly adapt to defensive measures. Attackers employ machine learning to optimize attack patterns and social engineering using natural language processing to create convincing deceptions.

Perhaps most worrisome are the advances in vulnerability discovery and exploitation, which have accelerated the frequency and scale of cyberattacks.

Vulnerability Discovery

In the discovery phase, AI locates potential security flaws by gathering information about systems and human targets to manipulate them. Methods for finding system vulnerabilities include:

- Static analysis searches for common vulnerabilities by examining source code or binaries without executing them and uses tools like SonarQube, Checkmarx, and Fortify.
- Dynamic analysis inspects applications during execution, simulating attacks to uncover flaws that only manifest at runtime. Tools include OWASP ZAP, Burp Suite, and AppSpider.
- Vulnerability scanners, such as Nessus, OpenVAS, and QualysGuard, focus on identifying known vulnerabilities in networks or systems by comparing configurations and software versions against a database of security issues.

For human targets, attackers use tools to take advantage of browser vulnerabilities, steal and sell user credentials, generate fake IDs, encrypt files, and demand ransomware, all readily available on the Dark Web. The most common include:

- Social engineering tools for creating fake login pages (e.g., Gophish), making spoofed phone calls (e.g., SpoofCard), and sending bulk SMS messages (e.g., SMS bomber scripts).
- Spyware and surveillance tools include keyloggers, which record everything a user types; screen recorders, which capture video of a user's activities; and remote access trojans (RATs), which give hackers control over a user's device.

Vulnerability Exploitation

Attackers exploit systems once they identify vulnerabilities.

Tools can be used to develop proof-of-concept (PoC) exploits based on system-specific data, showcasing how to leverage a vulnerability. For example, scripts might automatically generate exploits for memory-based vulnerabilities by analyzing system internals. Other automated methods include credential harvesting and brute-forcing, where tools attempt to crack weak passwords or leverage leaked credentials to gain unauthorized access.

AI-assisted exploitation can be more advanced, adapting real-time attack strategies and analyzing system characteristics to identify preferred approaches. Human expertise is often required to craft reliable exploits for complex vulnerabilities, but that will only be the case for a while.

AI-driven phishing and social engineering have evolved far beyond simple email scams. Modern attacks employ context-aware phishing campaigns that synthesize data from multiple sources to create convincing deceptions, even for the well-informed. Deep learning algorithms generate realistic voice and video content for executive impersonation, and chatbots engage targets in natural-seeming conversations. AI-powered analysis of individuals using social media enables targeted spear-phishing attacks that exploit personal information and personal connections.

AI automation has dramatically increased the precision and speed of exploitation. Systems continuously scan cloud infrastructure, identifying patterns in application behavior that might indicate zero-day vulnerabilities.

AI system integrity has become a security concern as attackers find ways to manipulate and compromise machine learning and language models by introducing biases into their training data that create blind spots, bypass security controls, or generate false narratives.

Attackers exploit AI's abilities to create deepfakes that mimic human likenesses and voices. They imitate decision-makers and authorities to authorize fund releases, manipulate social networks, or extort victims.

Prevention

Software architects must embed security and resilience into their systems to better protect them against AI-driven threats. Secure-by-design principles reduce vulnerabilities from the start.

Common measures include:

- End-to-end encryption and adversarial training are essential to protect sensitive data.
- Rate-limiting CAPTCHAs and honeypots (decoy systems to study attacks) to counter automated attacks by distinguishing human actions from bots.
- Regularly updating software, using containerization and sandboxing to isolate systems, and conducting crucial AI-driven penetration testing to identify weaknesses.
- Advanced techniques, such as *differential privacy*, use mathematical frameworks to protect individual privacy while ensuring companies can generate valuable aggregate insights.

You cannot easily bolt security onto existing systems; ideally, you design it from the start. Either way, it's a process of continuous improvement. Management must nurture a culture of learning, collaboration, and responsiveness to ensure their systems remain robust and resilient.

Conclusion

AI presents both opportunities and threats. Software vendors and their customers should immerse themselves in AI now to assess the best future paths.

AI offers rapidly advancing defenses against cyberattacks. At the same time, it enables more sophisticated attacks that adapt to those defenses. Like any powerful tool, dual-use is inevitable; organizations must plan for it.

Finally, we must develop AI ethically, implement robust safeguards, and collaborate globally to harness AI for protection rather than exploitation. Toward that end, AI and cybersecurity demand a proactive integration of technical controls and human oversight. ■

Dan Gregerson is Chairman and CEO at Summitas.

Learn more at www.summitas.com.

The logo for Summitas, featuring the word "SUMMITAS" in a bold, sans-serif font. A small red dot is positioned above the letter "A".

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Remaining Transparent and Trustworthy in Awards Marketing

By Emma Smith
STREETCRED PR



With the Securities and Exchange Commission (SEC)'s updated **Marketing Rule** now in full effect, financial advisors face renewed scrutiny over how they promote their services—including when it comes to industry awards. Recent **enforcement actions** against registered investment advisors (RIAs) highlight that, while these programs can boost credibility, they also pose risks if not handled properly. Advisors must carefully balance showcasing their achievements with adhering to regulatory guidelines.

Some key takeaways for advisors leveraging industry awards in their public relations (PR) and marketing efforts:

Transparency is Key

The SEC's recent enforcement actions highlight the importance of transparency in marketing materials. Advisors must clearly disclose all relevant details about any accolade they showcase, including how the award was earned, who granted it, and whether there were any associated fees. Failure to provide this context—or worse, *intentionally* misrepresenting the truth—can lead to substantial fines and damage your firm's reputation.

Whenever you mention an award in your marketing, ensure that your communication is thorough and transparent. Both clients and regulators value honesty, and clear disclosures can protect you from accusations of misleading practices. Transparency builds trust, which is foundational to long-term client relationships.

Avoid Pay-to-Play Awards

Beware the proliferation of “pay-to-play” awards—recognitions that are essentially purchased through fees or bundled with marketing packages. While these awards may boost visibility in the short term, they carry the risk of being perceived as inauthentic or “bought.” This not only risks tarnishing your reputation but could also attract regulatory scrutiny, especially if the financial arrangement behind the award isn't disclosed.

Before participating in any awards program, thoroughly vet the selection process. Any PR team worth their salt can help you identify awards primarily based on merit rather than financial contributions. And if there are any fees involved, be upfront with clients about this and avoid overstating the award's significance. Transparency here can help protect both your reputation and your regulatory standing.

Make Compliance Your Ally

Compliance should be an integral part of your process, not an afterthought. The SEC's heightened scrutiny of RIA marketing reinforces the critical role compliance officers play in reviewing promotional materials. Involving your compliance team from the start can help you avoid costly mistakes and ensure your firm remains within regulatory guidelines.

Work closely with your compliance team to review all marketing content before it goes live. By involving them early and often, you reduce the risk of issues down the road.

Prioritize Value Over Vanity

Clients aren't as concerned with how many awards your firm has won as they are with how you can help them achieve their financial goals. While an award may capture attention, it's the real-world solutions and value you provide that will keep clients engaged.

Highlight how your firm addresses specific client needs, whether it's expertise in estate planning, personalized investment strategies, or another service. Let awards act as secondary proof of your firm's commitment to excellence, but always lead with the solutions that make a difference in your clients' financial lives.

Focus on Building Trust

As we look ahead to 2025, the SEC's focus on marketing practices, including the use of third-party ratings and awards, will likely remain a priority. Financial advisors can still use awards to their advantage—so long as they're handled thoughtfully and with integrity. However, the true measure of success will always be the value you provide to your clients. By focusing on building trust and strong relationships, you can let awards complement the bigger picture of the impact you're making in clients' financial lives. ■

Emma Smith is Partner at StreetCred PR, a public relations agency squarely focused on the financial services sector.

Learn more at www.streetcredpr.com, [LinkedIn](#), [Instagram](#) and [X](#).

STREETCRED

Data and Alternative Investments: Connecting the Dots

By Henry Zelikovsky
SOFTLAB360

In his 1989 best-seller, *One Up on Wall Street*, Peter Lynch famously wrote, “Know what you own, and know why you own it.” These words have never been more relevant than in 2024. In the last 5 years, demand for alternative investment exposure has noticeably increased, with more investors calling for them to be a part of their portfolios. With the emergence of new investment vehicles in today’s financial markets, when it comes to portfolio performance, delivering a holistic view has never been so complex.

With advancements in technology allowing for the democratization of investing, more investors have the capacity to invest in alternative investments than ever before. However, this creates a significant challenge since the infrastructure surrounding alternative investments and supporting data movements has not been fully developed. This includes communication between issuers, custodians, broker/dealers, and asset managers.

To provide a holistic view of a portfolio, modern portfolio management systems must be integrated with all the stated parties above. Alternative investments differ from traditional assets in that the data for them, especially for new classes being promoted, requires new and custom definitions – and organizations capable of storing and delivering that data to all applicable parties. Alternatives data resides across new and boutique custody houses, issuers, and data aggregators. Traditional alternative investment vehicles, such as exposure to non-traded REITs, non-traded BDCs, venture capital, and private funds, historically have been exclusive to accredited investors. However, technology, through digital securitization, has enabled software integrations to be built between bearers of alternative investment data. This includes enterprise custody firms such as State Street, BNY Mellon, and J.P. Morgan, who historically custodied alternative investment data. Some enterprise firms are updating their existing custody services to meet consumer demand for alternative investment data. A prime example is Fidelity’s creation of a digital asset custody division, called Fidelity Digital Assets. Newcomers have also joined the ranks of established firms, a prime case being Coinbase.

Rapid expansion in offering alternative investment asset classes requires equally rapid expansion in technology platforms that can sustain and expand this growth. A key aspect is the custody of data and the capabilities of custodians to



disseminate this data. Several ATS firms structure their data management technology to support definitions of new alternatives, opening the door to institutions that create them and offer them to investors quickly. Portfolio management and risk management platforms, as consumers of custody and investment data, need to adapt their technology to support newly available alternatives as they appear, as quickly as possible, to continue offering the best product-service to financial advisors. Investors are developing their appetite for alternatives, and technology firms must keep pace. In a rapidly changing terrain for investment and advisory, opportunities open for solution providers of data management, data publishing and subscription, and data aggregation. Data aggregation, as it leads to a variety of additional analytics and reporting, is especially important to properly present alternatives. Platform-as-a-Service providers and custom solutions engineering providers, such as Softlab360, work together to adapt technology into the best-suited service model for financial advisors. ■

Henry Zelikovsky is Founder and CEO of Softlab360, a FinTech specialty software engineering and implementation company focused on providing wealth management, digital banking, and payment solutions.

Learn more at www.Softlab360.com and [LinkedIn](https://www.linkedin.com/company/softlab360).



Softlab360

Outsourcing in Wealth Management

Transforming Advisors into Financial Life Coaches

By Steve Leivent

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As we enter 2025, the financial advisory industry stands at a crossroads, redefining its role in clients' lives. Advisors are moving beyond portfolio management to become true financial life coaches—trusted guides who help clients navigate their financial futures. The growing trend of outsourcing investment management is at the heart of this evolution. By delegating middle- and back-office tasks, advisors can reclaim the most valuable resource: time.

The Business Case for Letting Go

Outsourcing isn't new, but its adoption accelerates as technology and client expectations evolve. Advisors increasingly turn to third-party platforms for trading, model marketplaces, and portfolio management. This shift lets them focus on what investors value most: personalized, face-to-face advice.

The numbers support this claim. Research shows outsourcing investment management tasks can increase advisor productivity. Firms leveraging these solutions report higher revenue per advisor. This approach goes beyond efficiency, creating the capacity for deeper client engagement. By outsourcing, advisors strengthen their ability to build trust, tackle complex client needs, and deliver relationship alpha.

Leveraging Technology for Smarter Delegation

Technology plays a critical role in making outsourcing seamless and impactful. Turnkey asset management platforms (TAMPs) streamline operations by integrating workflows, ensuring data consistency, and enabling real-time decision-making.

For example, the flexibility to delegate specific components, such as dynamic modeling, tax-loss harvesting, or compliance, empowers advisors to tailor solutions to their practice. This modular outsourcing approach allows firms to choose what to keep in-house and what to delegate, striking a balance aligned with their unique strategies.

Consider an advisor managing a high-net-worth client's complex portfolio. With tools to synchronize data across systems and automate rebalancing, they can shift their focus from administrative tasks to client-focused planning sessions. The result? Happier clients and a stronger advisory relationship.

Meeting Rising Client Expectations

Clients today demand more than just financial returns: they seek holistic guidance tailored to their life goals. Advisors can meet these expectations head-on by leveraging outsourced solutions [link to BD Wealth]. For instance, customized reporting tools and real-time insights enable advisors to provide clients with clarity and confidence, even in volatile markets.

This shift is also transforming how advisors communicate value. They're no longer just portfolio managers but strategic partners who empower clients to make informed decisions about their wealth. Outsourcing helps advisors free up time to deliver on this promise, whether it's through proactive tax strategies or tailored estate planning.

As the new year begins, advisors face a clear imperative to embrace outsourcing. Technological innovation is advancing rapidly, and clients demand increasingly personalized interactions. Advisors who hesitate risk being left behind. This shift is not merely tactical; it's a strategic evolution positioning advisors to thrive in an ever-changing landscape.

What's Next for Advisors in a Tech-Driven Industry

In 2025 and beyond, outsourcing will continue to reshape the industry. The proliferation of TAMPs and advancements in AI and machine learning will enable advisors to offer highly personalized, scalable services. The tools are becoming as dynamic as their clients, from automated trading to advanced client segmentation.

The message is clear: advisors who embrace outsourcing are positioning themselves to lead in 2025 and beyond. They're not just adopting a trend but redefining their role to put relationships at the forefront. ■

Steve Leivent is the Senior Vice President and Co-General Manager of SS&C Wealth & Investment Technologies.

Learn more about SS&C's Black Diamond Wealth Platform at blackdiamond.advent.com.



A New Approach to Technology Gives Asset Managers an Advantage in 2025

By Javier Flores
SS&C ADVENT

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As asset managers enter the new year, they face familiar challenges. Shifting investor expectations coupled with persistent fee and competitive pressures will continue to shape the landscape in 2025.

What has evolved, however, is how managers are leveraging technology to adapt to these demands.

A Focus on Customization and Fees

Asset managers are balancing a need to offer a more customized range of products—while doing more with less.

Some firms are providing options like actively managed ETFs, separately managed accounts (SMAs), and private credit. Some larger firms are also adopting sleeving strategies to efficiently add customization to their products.

Traditionally, these firms had split strategies over several accounts, with one account for each strategy. Now, by consolidating accounts at the custodian, these firms can offer customized multi-strategy portfolios within a single custodian account, such as multiple equity and fixed-income strategies.

This higher level of customization enables firms to better differentiate their offerings, while also commanding a premium compared to pooled account fees.

While customization brings new opportunities, it is not without challenges. Managers must manage and make decisions on hundreds or even thousands of individual portfolios. These portfolios also require more active management. Trading volume escalates, putting more pressure on a firm's operations and requiring them to examine their approach to technology more closely.

An Integrated, Accessible Approach to Technology

Traditionally, many investment management firms have taken the 'best-of-breed' approach with their technology strategy.

In this paradigm, managers spent significant time and resources patching together best-of-breed solutions to meet the specific challenges of their firms: the best accounting system, the best trade order management tool, the best performance management solution, the best IBOR—the list goes on. In addition to managing different technologies, each of these systems had its own security master to be reconciled.

Today, as firms seek operational efficiency and contend with the complexity and volume brought on by customization,



their technical focus has shifted to creating a more seamless investing workflow with a connected investment platform. This model consolidates data across the front, middle, and back office with a single cloud data store underlying all applications and enables unified access to disparate data sets. With a single source of truth, the entire firm is working with one consistent set of data, meaning processes are completed with greater speed, efficiency, and accuracy.

Today's investments require a more modern approach to technology. By switching their focus from best-of-breed solutions to a connected technology platform supporting scalable portfolio management, high-volume trading, and firm-wide integration, investment managers can keep pace with today's market challenges and be ready for whatever lies ahead in 2025. ■

Javier Flores is the Director of Solutions Management at SS&C Advent. Learn more about the [Genesis platform](#), our industry-leading investment management solution to support your business goals.

Learn more at www.advent.com, [LinkedIn](#), [Facebook](#) and [Instagram](#).



Don't Let Digital Signatures Become Your Firm's Weakest Link

By Pem Guerry
SIGNIX



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In today's wealth management landscape, digital signatures have become essential for efficient operations. While this technology offers convenience and speed, recent industry incidents highlight growing cybersecurity and compliance challenges that firms cannot afford to ignore.

Rising Regulatory Scrutiny

Released in August '22, FINRA's Regulatory Notice 22-18 not only underscored increasing concerns about digital signature fraud in financial services, but also served as a warning for enforcement actions to come against [LPL](#), [Thrivent](#) and [more](#).

These recent enforcement actions show that the price of inadequate signature supervision can be quite steep. Beyond regulatory fines, firms risk lasting reputational damage that can take years to repair. In today's environment, proactive investment in security technology isn't optional—it's essential for long-term survival.

Understanding the Threats

Wealth management firms face multiple signature-related vulnerabilities including 1) unauthorized account access through compromised signatures; 2) forged authorizations for fund transfers; 3) altered transaction documents; 4) falsified internal compliance records; and 5) account opening fraud schemes.

These threats demonstrate why robust signature monitoring isn't just about compliance—it's about protecting client assets and firm reputation. As FINRA's ongoing enforcement actions prove, the costs of these violations can be devastating.

Beyond Manual Supervision

Meeting FINRA Rule 3110's supervision requirements—particularly the Supervisory System described in 3110(a)—demands more than periodic manual reviews. Modern threats require monitoring systems that can:

- Scan signature audit trails continuously
- Flag suspicious patterns in real-time
- Generate detailed reports for compliance reviews
- Enable targeted investigation of potential fraud
- Track signature activities across multiple platforms and document types
- Identify unusual patterns in signature timing or frequency
- Monitor for geographic anomalies in signing locations

To account for these supervisory tasks as FINRA requires, firms must leverage tech to improve compliance postures without putting additional burdens on compliance personnel.

The Audit-Ready Advantage

Successful firms pair automated monitoring tools with robust verification procedures, ensuring they can quickly identify and investigate any suspicious patterns. Regular testing and updates to these systems, combined with proactive identification of potential compliance gaps, create a strong foundation for regulatory reviews.

When auditors examine a firm's signature supervision, they expect to see evidence of both systematic monitoring and swift response to any identified concerns. Firms that maintain this level of preparedness not only satisfy regulatory requirements but also protect themselves from the rising costs of non-compliance.

Balancing Security and Experience

While robust security measures are essential, they shouldn't create friction in client interactions. Leading firms implement sophisticated monitoring that works invisibly in the background while maintaining the convenience that makes digital signatures valuable. This requires 1) seamless integration with existing workflows; 2) minimal impact on processing times; 3) clear escalation procedures for suspicious activities; and 4) efficient resolution processes for false positives.

Building Trust Through Technology

As the cybersecurity and regulatory landscapes continue to change, firms must demonstrate their commitment to protecting client interests. Advanced signature monitoring technology serves as both a compliance tool and a trust-building measure that shows clients their security is a top priority. In an industry built on trust, this kind of tech investment helps safeguard both client relationships and firm reputation. ■

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Earnings, Valuations, and Uncertainty: Navigating 2025's Market

By Sasha A. Kostadinov

SHAKER INVESTMENTS

As investors look ahead to 2025, questions arise about whether the stock market's strong performance can continue amidst evolving economic conditions. If the S&P 500 closes 2024 near its current levels, it will mark consecutive years of 25% returns for stocks, well above the average annual return of 8.5% since 1960. Historically, back-to-back positive years are not unusual following a down year—such as 2022, which saw a 20% decline. In fact, the S&P 500 typically advances for at least three years after a down year, with only one exception: the dot-com bubble, which preceded three years of declines.

The stock market's long-term upward trajectory is rooted in economic growth. Since 1960, the S&P 500 has increased 46 out of 63 years, or 73% of the time. This trend reflects the fact that stock performance follows earnings, which tend to grow unless the economy enters a recession. We may quibble over nuances, but the economy is currently growing and should continue growing unless a negative shock pushes it into recession. Real GDP grew by 2.8% last quarter, close to the long-term average of 3.0%. Consumer spending, which drives 70% of economic activity, rose 3.7%, while the unemployment rate of 4.1% remains well below the historical average of 5.7%.

Negative shocks come in a variety of forms, and overly restrictive fiscal or monetary policy are often to blame. Monetary policy has been restrictive, but the Federal Reserve started easing this summer. That leaves fiscal policy. 2025 begins with a new administration taking office and the transition of power inevitably creates concerns about the economic impact of new fiscal policies, especially as campaign promises begin to materialize—or not. While the incoming administration is expected to work with Congress to enact its agenda, the implications for the economy and stock market remain unknown, leaving investors wary of potential disruptions.

Market valuations are another area of focus as stocks remain relatively expensive. The S&P 500's forward price-to-earnings (P/E) ratio is 22x, compared to a 20-year average of 16x. The earnings yield—an inverse of the P/E ratio—stands at 4.5%, slightly above the 10-year Treasury yield of 4.3%. Yale professor Robert Shiller's Cyclically Adjusted



Price-to-Earnings (CAPE) ratio and Excess CAPE Yield offer further insights. The Excess CAPE Yield, at 1.6%, remains positive but is below its long-term average of 4.6%. While valuations are high, they have been higher in the past, such as during the dot-com bubble when the Excess CAPE Yield turned negative.

In short, the outlook for stocks remains favorable barring any major economic shocks. While monetary policy has been restrictive, the Federal Reserve began easing this past summer, reducing a potential headwind. Fiscal policy, however, remains a wildcard, as new legislation could shift economic dynamics. Despite relatively high valuations, stocks have room to grow, and 2025 could see further gains. Beyond that, returns are likely to revert to the historical average, though the road ahead will be anything but smooth. ■

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Learn more at www.shakerinvest.com and [LinkedIn](#).

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The Future of Finance is Fueled by AI-Powered Enablement

By Kerry Ryan
SEISMIC



The adoption of AI by financial advisors is already transforming the wealth management industry, with many advisors embracing AI tools to enhance client relationships, increase productivity, and source actionable insights from data. This is particularly evident when it comes to the industry's adoption of AI-powered enablement tools.

For the modern advisor, it's not just leveraging AI, it's leveraging the right AI solutions to grow client relationships and profitability.

Finding the Right AI for Advisors

There is no questioning that AI will transform wealth management—the conversation is now, what types of AI are truly going to supercharge advisor productivity and the client experience.

The power of AI is its ability to free up surface level tasks so advisors can dig deeper into client needs at the scale. Advisors crave increased productivity, but daily admin tasks can bog down their ability to truly impact their clients. AI powered enablement provides the speed and efficiency that advisors need.

For advisors, enhanced productivity is the goal and AI-powered enablement solutions are demonstrating how AI can deliver impactful client experiences. From automatically surfacing action items, recommending content, and drafting call summaries, enablement provides the right type of AI advisors need to empower more impactful meetings and personalized interactions with their clients.

Defining Enablement for Wealth Management

The industry's AI journey will continue to evolve through increased adoption of enablement tech. **Nine in ten** financial advisors say they use enablement technology at work and believe their teams' reliance on the technology continues to grow. It's clear that enablement's ability to leverage the power of AI in content creation, training and development, and meeting preparation, delivery, and follow-up, is having a meaningful impact on the industry's productivity and success.

New research from Seismic reveals that 97% of financial services firms plan to increase enablement technology spending for next year. Unlocking the full benefits of AI-powered enablement technology, however, requires leadership alignment on the definition of enablement and breaking down organizational silos to drive productivity and encourage

cross-functional collaboration. Firms can consider establishing dedicated enablement centers of excellence to help individuals use AI and provide a single source of truth, ensuring cross-departmental collaboration and representation exist for a holistic view of the business and industry.

The Future of Enablement: A Seat at the Table

While organizations need to fully define enablement to truly unleash productivity fueled by AI, we can expect the role of enablement—which may be shared across sales, marketing, and learning/coaching—will continue to evolve as an important imperative with C-level and other leaders.

Almost half of enablement leaders and/or committees comprised of leaders representing enablement functions across sales, marketing, data science and tech already have monthly meetings with sales leaders and the c-suite, and a third meet monthly with the CEO, and an enablement perspective will only grow more valuable as investments into enablement tech increase.

Stay Ahead of Competition with AI-powered Enablement

The rapid advancement of AI isn't slowing down anytime soon, and wealth management can remain ahead of the curve by embracing AI-powered enablement as a part of its strategy and tech stack. Firms that do so will be strongly positioned to transform how they grow their revenue, interact with clients, boost productivity, and empower their client-facing teams to succeed.

Embracing the promise of AI is no longer a choice. To prepare for the future, smart leaders are investing in AI-powered enablement to increase the impact their advisors have in growing client relationships and to drive productivity across teams. ■

Kerry Ryan is Director of Financial Services Industry Marketing at Seismic.

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Shopping Centers: Continue to Deliver Opportunity and Returns

By Jordan Gomez

SANDS INVESTMENT GROUP

Today's constant news flow can make potential investors hesitant to enter the commercial real estate market, especially with retail shopping centers. However, fundamentals show that shopping centers are a stable and attractive investment. Seasoned investors know that strategic purchases during downturns can reduce risks and yield higher returns as markets recover.

Why Shopping Centers Are a Smart Investment

Despite concerns over bankruptcies and closures, major tenants like Aldi and Burlington continue expanding, keeping well-located shopping centers in high demand and vacancy rates low. While interest rates have risen, market liquidity remains strong with plenty of capital available for quality assets. For sellers willing to adjust pricing, now is an ideal time to sell, as investor demand is high and competing inventory is limited.

Investors are shifting their focus from cap rates (the rate of return on an investment property) to cash flow and yield. Yield-driven investments are appealing because they provide steady income over time. Current retail vacancy rates, at around 5.6%, are at their lowest levels since 2007, which bodes well for future rent growth. Shopping centers offer a unique opportunity to generate consistent income, particularly as retail vacancies remain stable and new construction is limited.

Necessity-based, daily-needs retail offers the most security for investors. A well-located neighborhood shopping center provides stability, steady foot traffic, and resilience in economic downturns, making it an ideal investment. Anchored by essential services like grocery stores and pharmacies, these centers serve the daily needs of local communities, ensuring consistent customers. With long-term leases from reliable tenants and less reliance on trendy retail, neighborhood centers offer dependable cash flow and lower vacancy risk. They thrive in growing residential areas, providing income security and potential appreciation as the community expands.

Overcoming Market Challenges

While some retailers, like Party City, have closed stores, these closures create opportunities for investors to re-lease spaces, often at higher rents. Although tighter lending conditions

may raise concerns, banks still offer favorable options for well-positioned shopping centers with strong fundamentals.

Buyers should focus on value-added opportunities, where properties can be improved through re-tenanting, facility upgrades, or optimizing the tenant mix. These strategies can significantly boost net operating income and property value, with yields potentially rising from 7% to 20%. This upside potential makes retail shopping centers an appealing prospect for savvy investors seeking to unlock hidden value.

The Bright Future

The retail sector is expected to grow, driven by rising disposable incomes and increased consumer spending. As new retail developments have slowed, supply remains tight, supporting rent growth. Landlords in high-demand markets like Miami and Nashville are already benefiting by raising rents and securing long-term tenants.

For those worried about rising interest rates, it's important to remember that markets tend to adjust. Although financing costs may be higher now, increased lender competition is likely to stabilize or lower rates in the near future. This environment remains favorable for investors focused on securing quality properties with strong tenants and long-term growth potential.

In conclusion, shopping centers offer a compelling opportunity for investors looking for stable, income-generating assets with the potential for long-term appreciation. The fundamentals of retail real estate—low vacancy rates, rising rents, and limited new supply—make it a resilient and attractive asset class. Whether you're an experienced investor or new to the field, now is the time to consider the long-term benefits of shopping center investments. ■

Jordan Gomez is Vice President - Investment Advisor with Sands Investment Group.

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SANDS INVESTMENT GROUP





Category: Individual RIA Firms Thought Leader of the Year

Mary Ann Bartels Chief Investment Strategist



Executive Profile

Mary Ann Bartels serves as the Chief Investment Strategist at Sanctuary Wealth, a position she holds with prominence and influence. Her role involves providing expert guidance on investment strategies, market trends, and economic outlooks to Sanctuary Wealth's clients and stakeholders.

Mary Ann often appears on CNBC, Bloomberg and Fox Business News and frequently is featured by Barron's, Reuters and Business Insider. An award winning analyst, she is a sought-after speaker at industry events sponsored by Barron's and Forbes. Her analyses and forecasts contribute significantly to shaping investment decisions within Sanctuary Wealth and help clients navigate the complexities of the financial markets.

Additionally, Mary Ann plays a pivotal role in discussions, webinars, and podcasts where she engages with industry leaders and experts to explore topics such as fixed income, private credit and equity markets and hosts the "Friends of Sanctuary" podcast, featuring leaders in the financial services industry.

A thought leader boldly charts a path forward for advisors and investors. In 2023 and 2024, Mary Ann Bartels remained optimistic about the performance of the S&P 500 and the broader market and delivered her analysis to leading news outlets. By giving clear, definite assessments of the financial markets and disclosing her views on the magnifying effect of AI on productivity in her commentary, Mary Ann engaged in effective communication that cemented her leadership and enhanced Sanctuary Wealth's reputation and credibility within the financial community.

In 2023 and 2024, Mary Ann expressed bullish sentiment toward growth-oriented sectors and companies.

Mary Ann Bartel's insights provide financial advisors with valuable guidance for allocating client portfolios. Advisors may incorporate her recommendations on sectors like technology and cryptocurrency into their investment strategies to optimize returns.

Financial advisors who receive Mary Ann's weekly/monthly/timely content leverage her views to educate their clients about market trends and investment opportunities. By utilizing her insights on topics like technology stocks, bond investments, and cryptocurrency, advisors are empowering clients to make informed decisions. Mary Ann's reputation as a skilled strategist has also enhanced the credibility and reputation of Sanctuary Wealth's Partner Firms.

Company Profile

Sanctuary Wealth is the advanced platform for the next generation of elite advisors, who have the entrepreneurial spirit to build and own their own practices and desire the freedom to deliver the tailored service their clients deserve. Sanctuary Wealth's ecosystem of partnered independence provides a complete technology and operations platform, as well as support from a community of like-minded advisors and the resources of invaluable affiliated businesses.

Currently, the Sanctuary Wealth network includes more than 120 partner firms in 31 states nationwide, with approximately \$48 billion in assets on platform. Sanctuary Wealth consists of the wholly owned subsidiaries: tru Independence and Sanctuary Advisors LLC, SEC-registered investment advisers, Sanctuary Securities, Inc., a FINRA member broker-dealer, as well as Sanctuary Alternative Holdings, Sanctuary Asset Management, Sanctuary Insurance Solutions, Sanctuary Global, and Sanctuary Global Family Office.



All That's New Is Old

By Mary Ann Bartels

SANCTUARY WEALTH

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We are entering a new era of innovation, with technologies such as Blockchain, Artificial Intelligence (AI), Quantum Computing, the Internet of Things (IoT) in Smart Cities, and Augmented Reality reshaping how we live and revolutionizing business operations. These advancements, largely born in the U.S., solidify America's leadership in driving global progress. History shows that periods of extraordinary technological advancement often follow patterns, fueling growth and opportunity.

The U.S. is the epicenter of this innovation. From the “Magnificent 7” tech giants to Blockchain and AI hubs expanding from coast to coast, the U.S. houses the developers, owners, and deployers of these groundbreaking technologies. America's leadership in this new era of progress is attracting significant investment—both domestic and foreign—into U.S. companies. These capital flows support

technological development, enhance productivity, create jobs, and drive corporate earnings, fueling broader economic growth. Similar to past cycles, this innovation-driven expansion is likely to sustain a favorable environment for equities.

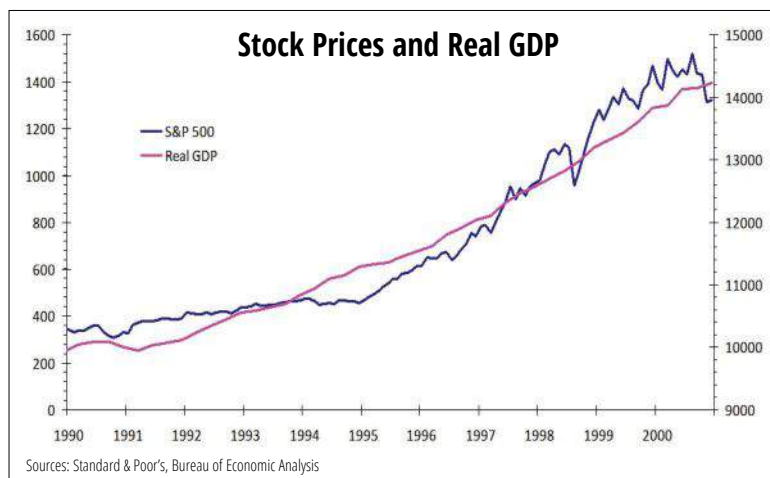
Lessons From the 1990s

Periods of technological innovation have repeatedly driven market growth—as we saw in the 1990s when personal computing advanced significantly with faster processors, greater storage, and better software. The internet, initially developed for military use, became accessible for research and commerce. HTML and Mosaic introduced new capabilities to websites, enabling businesses and individuals to connect, share information, and collaborate on an unprecedented scale. The resulting productivity gains spurred rapid economic growth and market expansion.



Economy and Stock Market Soared during the '90s

During the '90s, the stock market expanded by more than 20% annually for five years. The Federal Reserve (Fed) provided ample liquidity during the 1997 Thai baht crisis, the 1998 Russian financial crisis, and the Y2K panic in 1999. The Nasdaq 100 surged 1064% from 1995 to its March 2000 peak, while the S&P 500 rose 229%. In 1999 alone, the Nasdaq 100 more than doubled (up 102%) thanks to Fed liquidity and the Dot-Com Boom. Of course, the equity market was also heavily margined at its peak in 2000.



A New Golden Age

Like the '90s, we are today witnessing innovations that enhance existing infrastructure while creating entirely new opportunities. If this cycle mirrors past boom periods from the 1920s, 1950s, 1960s, 1980s, and 1990s, we could be in the early stages of a long-term bull market. Our analysis suggests the market may not peak until 2029-2030, with the S&P 500 potentially reaching 13,000 by the end of the decade—a gain of 117% from today's levels.

Over the next 18-24 months, we forecast the S&P 500 climbing to 8000. For 2025, we maintain a more immediate target range of 7200 to 7400, reflecting continued strength in earnings growth, productivity gains, and technological leadership.

If history is a guide, 2025 could mark the beginning of a new "Golden Age of Investing," offering unprecedented opportunities for investors willing to embrace this era of innovation.

Reality Check

What could derail this charging Bull in 2025? If interest rates rise further, it could choke off capital to equities. If President Donald Trump attacks the Fed over policy and attempts to remove Fed Chair Jerome Powell, this would create market volatility. Also, if concerns related to geopolitics escalate, causing market volatility and/or oil prices to reach \$100 a barrel or higher, we would expect a sharp correction – but this should not derail the secular bull market.

If history is a guide, 2025 could mark the beginning of a new "Golden Age of Investing," offering unprecedented opportunities for investors willing to embrace this era of innovation. ■

Mary Ann Bartels is Chief Investment Strategist at Sanctuary Wealth.

Learn more at sanctuarywealth.com and [LinkedIn](https://www.linkedin.com/company/sanctuarywealth).

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SANCTUARY
WEALTH

2025 Global Market Outlook: The Mechazilla Moment

By Andrew Pease

RUSSELL INVESTMENTS

An enduring image from 2024 will be the capture of the SpaceX booster rocket by the Mechazilla robot arms on its return to Earth. This achievement served as a powerful metaphor for the year: the improbable not only became possible but redefined expectations.

We expect 2025 to be another year of overcoming challenges and redefining limits against a backdrop of high U.S. equity market valuations, mega cap dominance, and uncertainty surrounding the policy agenda of U.S. President-elect Donald Trump. Our focus is on building resilient portfolios that can adapt to a wide range of scenarios.

Key Economic Themes for 2025

U.S. growth and policy trade-offs: The U.S. economy is expected to grow at a trend-like pace of 2.0% in 2025 in response to the lagged impact of tight Federal Reserve (Fed) monetary policy. The Trump administration's policies present a delicate balancing act. Tax reforms and deregulation are likely to stimulate growth, particularly in domestic and cyclical sectors. Tariffs and immigration restrictions, however, could trigger a stagflationary shock that might have the Fed contemplating a rate hike as the economy weakens.

Global headwinds and policy divergences: Outside the U.S., growth will likely remain under pressure. Trade policy uncertainty and tariffs will weigh heavily on Europe. China will face headwinds from U.S. tariffs, a struggling property market, and deflation pressures. Japan remains an outlier, supported by a virtuous wage-price spiral that will anchor inflation expectations near 2%.

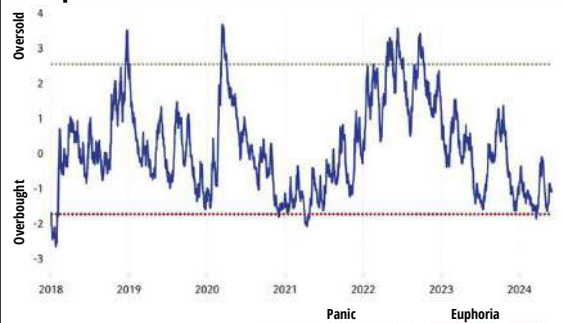
Market sentiment and valuations: Elevated equity valuations make the U.S. market vulnerable to negative surprises, and further dollar strength will challenge emerging markets. Sustained U.S. Treasury yields above 4.5% could challenge equities, diminishing the earnings yield advantage stocks have enjoyed over bonds since 2002.

Key Portfolio Themes for 2025

Balancing U.S. growth amid policy shifts: The U.S. economy is resilient as it enters 2025, but the road ahead will be shaped by shifting policy dynamics.

Private markets: The new growth engine: Private markets continue to play an increasingly vital role in the evolving landscape of capital flows, as the shift away from public

Composite Contrarian Indicator



Source: Russell Investments. Last observation is -1.2 standard deviations, as of June 10, 2024. The Composite Contrarian Indicator for investor sentiment is measured in standard deviations above or below a neutral level. Positive numeric scores correspond to signs of investor pessimism, while negative numeric scores correspond to signs of investor optimism. The chart shows sentiment as overbought, but not yet euphoric.

markets accelerates with fewer IPOs (initial public offerings) and later-stage listings.

The broadening out of market leadership: While mega cap AI stocks have driven market returns in recent years, leadership is shifting to companies using AI to create real-world efficiencies. The new U.S. administration's focus on deregulation and tariff-based policies may provide an added boost to smaller, domestically oriented companies, which are less exposed to international trade disruptions than mega caps with significant foreign revenue, such as Apple. We see this shift reducing market concentration and opening the door for alpha opportunities.

Conclusion

Markets in 2025 will demand more than conventional wisdom about U.S. outperformance and global headwinds. While our composite contrarian sentiment indicator signals investor optimism, it remains below critical correction thresholds. This creates a tactical opening for disciplined investors.

We believe success will require nimble allocation across public and private markets, backed by rigorous analysis and unwavering investment discipline. A projected U.S. soft landing, coupled with expected policy moderation on trade and immigration, opens specific opportunities for well-positioned portfolios.

Just as robot chopsticks can catch spacecraft in 2024, it's plausible that markets can remain resilient through policy uncertainty in 2025. A disciplined approach to building total portfolios will be critical to investor outcomes. ■

Andrew Pease is Chief Investment Strategist at Russell Investments.

[Learn more at russellinvestments.com](https://www.russellinvestments.com), [Q4 Global Market Outlook](#), and [LinkedIn](#).

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Unlocking Growth with Business Owners

By Alex Michaels

RISR



With retirements transitioning an estimated **\$465M of private business assets** every day, business owners need advice now more than ever. Advisors who provide value to owners pre-exit will be trusted to manage liquidity and assets post-exit. Embracing new practices and technology to engage with owners more deeply is key to winning in a largely untapped market across planning, wealth and risk management.

Leverage Technology that Gives You Insight into the Business

It's difficult for advisors to provide sound advice without visibility into the business owner's most important asset (their company). Private business data is often disorganized and cumbersome to collect, and business analyses like valuations and risk assessments can be costly and time-consuming.

New technology is emerging to make it easy for advisors to capture business data, analyze it and surface insights that spark meaningful conversations with owners. Look for tools that provide more than valuation insights to gain visibility into succession and exit goals, business risks, growth opportunities and more. Tools that provide these insights through business accounting integrations like QuickBooks or tax document readers will also improve efficiency when working with business clients.

Clarify How the Business Fits into Their Life Plans

Owners who have dedicated their lives to building and operating a business see their asset as the key to both current and future financial success. Despite this, they typically aren't clear on how the business will fit into their long-term plans.

Providing clarity around the role their business plays in their life plan means:

- Efficiently estimating the value of their business on a regular basis.
- Discussing how much of their wealth is concentrated within the business.
- Assessing how reliant their life goals are on a successful exit from the business.
- Estimating the combination of annual income and exit liquidity the business needs to generate to accomplish its goals.

Identify Hidden Risks and Growth Opportunities

Advisors build trust by helping their clients see the unseen.

Identify the risks most relevant to them:

- Risks specific to the business that impact income and liquidity potential including customer concentration, vendor reliance, owner dependency, cash flow, etc.
- Life and legal risks that impact the owner's ability to protect and/or capture the value of the business (**54% of private business owners** do not have a buy-sell agreement funded by life insurance).

Help them create a growth plan:

- Identify the business earnings goal that accomplishes their ideal valuation.
- Review their historic revenue growth and margin to see how many years it would take to reach that earnings target.
- Surface ideas to increase revenue stability and control costs.

Use Business Insights to Strengthen Centers of Influence

Advisors who create alignment among a business owner's service providers will become the quarterback for their financial life. The insights gained from the technology and practices detailed above create a surface area for you to align the accountants, lawyers and other adjacent providers that surround the business owner. Doing so not only places you at the center of the owner's trust but opens opportunities for referral streams for new clients with these partners now and in the future. ■

Alex Michaels is Head of Product at RISR.

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RISR

Trump's Election Win Offers a Mixed Bag for Markets in 2025

By Rick Wedell
RFG ADVISORY



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2024 Wealth Management.com
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It's often said that financial markets loathe uncertainty. This sentiment was on display the day following Trump's presidential election win, when the three major stock indices each jumped approximately **three percent** and the Russell 2000 enjoyed a six percent pop. This post-election boost reflected a rapid shift in investor confidence once the election outcome was clear, dispelling some of the ambiguity that had weighed on markets. But will this momentum carry into 2025?

Trump's first presidency faced numerous challenges from the outset, starting with his outsider political status and lack of widespread support. The chaotic transition, frequent staff turnover and resistance from within his own party hindered Trump's ability to implement some of his key policies early on.

However, this term will presumably be different in many respects. Now a more seasoned political figure, Trump has solidified his position as the leader of the Republican Party, and members of both parties have learned that opposing him can come with significant political risks. Trump should have more time to prepare, potentially appointing loyalists to key positions in his administration.

This could mean a smoother start and a more productive legislative agenda, as he is more likely to find a receptive audience in Congress—but what will the impact be on financial markets?

Market Optimism Fueled by Pro-Business Agenda

One of the main drivers of market optimism could be the potential extension and/or expansion of the **Tax Cuts and Jobs Act** (TCJA). These tax cuts, which originally passed in 2017 and took effect in 2018, were a cornerstone of Trump's economic policy, aimed at stimulating growth by reducing individual and corporate taxes. It's highly likely that the Trump administration will push to extend the legislation, though it will ultimately come down to Congress' approval.

In addition to tax cuts, the administration will likely continue to prioritize deregulation. Industries that have traditionally been heavily regulated, such as finance and energy, could see a reduction in red tape, which might spur growth in those sectors. Lower regulation, generally speaking, provides

more room for businesses to operate efficiently, and could especially benefit start-ups and smaller companies seeking to expand.

The Potential Pitfalls

On the flip side of the coin, there are several factors that could hinder economic expansion. Tariffs, a key part of the administration's trade policy, could return or even expand. While tariffs offer a degree of protectionism for industries like steel and automotive manufacturing, they could also have the effect of increasing costs for consumers. The cumulative inflationary impact of tariffs could result in an indirect "inflation tax" on households. This inflationary pressure could complicate the Federal Reserve's ability to manage interest rates, as it might become difficult to distinguish between inflation caused by tariffs and broader economic price increases.

The growing federal deficit is another concern. Increased government spending, potentially in the defense sector, sans corresponding revenue growth, could create a challenging environment for borrowing and investment.

Another looming issue is immigration. Restricting immigration may result in a reduced workforce, which could slow the nation's gross domestic product (GDP). Economic growth is often tied to population growth, and a shrinking or stagnant workforce could mirror the economic slowdowns currently seen in countries like **Japan and parts of Western Europe**.

On the whole, 2025 should bring a mix of pro-growth policies and challenges—with the economic and market outlook appearing modestly optimistic. ■

Rick Wedell is President and Chief Investment Officer at RFG Advisory.

Learn more at www.RFGAdvisory.com, [LinkedIn](#), [Facebook](#) and [Instagram](#).

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Riding the Waves of Multifamily and Private Debt

By Gary Bechtel

RED OAK CAPITAL HOLDINGS

As 2025 unfolds, two trends dominate the commercial real estate landscape: the enduring strength of multifamily housing and the expanding role of private debt in capital markets. At the intersection of these trends lies bridge-to-HUD financing, a strategy that not only addresses critical gaps in the multifamily sector but also offers private debt investors an opportunity to capitalize on one of the most dynamic segments of the market.

Multifamily Resilience Fuels Financing Needs

The demand for multifamily housing has proven remarkably resilient, underpinned by a combination of economic and demographic factors. Despite the wave of new deliveries during the past two years, long-term demand continues to outpace supply in most markets. Vacancy rates dropped to 5.3% in Q3 2024, the first decline in two years, while net absorption of units reached levels not seen since the early 2000s, according to CBRE. Further, Moody's projects that 2025 will rank as the fourth-strongest year for multifamily absorption since 2000.

Financing, however, remains a challenge. The Federal Reserve's recent rate cuts have helped stabilize the borrowing environment, but traditional lenders such as banks have not fully returned to the market in full force, and GSEs have also become more selective. Regulatory constraints and risk aversion continue to limit their abilities, leaving borrowers to seek alternative sources of capital.

The Role of Bridge-to-HUD Financing

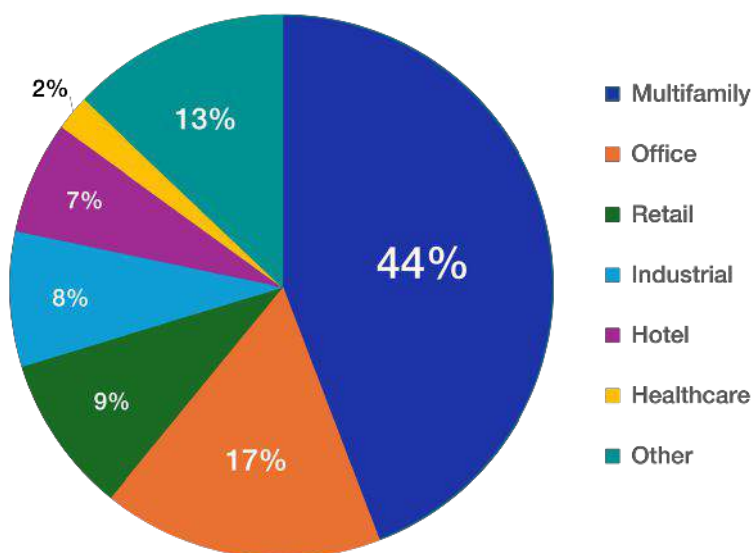
Bridge-to-HUD loans have long been as a critical solution in this constrained financing environment, but their popularity has

been growing of late. HUD-insured loans offer very attractive terms, including long-term fixed rates, high leverage, and non-recourse options. Programs like HUD 223(f) are particularly popular for acquisitions and refinances, allowing borrowers to lock in rates for up to 35 years. Yet, these loans come with a significant drawback: lengthy underwriting timelines that can stretch from six to 12 months.

This delay poses a challenge for multifamily sponsors who need to act quickly, whether to close on an acquisition, stabilize a property, or execute a rehabilitation plan. Bridge-to-HUD loans address this timing gap, providing short-term capital that enables borrowers to meet immediate needs while preparing for HUD's permanent financing. These loans typically close within 45 to 60 days, offering the speed and flexibility that multifamily investors require. Once

Multifamily Debt Opportunity Set

Multifamily loans account for nearly half of the nearly \$6 trillion in total outstanding real estate debt nationally.



Sources: Invesco, SIMFA 2024, Mortgage Bankers Association as of 4Q23, National Center for the Middle Market, as of Dec. 31, 2023

HUD approval is secured, the bridge loan is retired, creating a seamless transition to long-term, low-cost debt.

Private Debt's Expanding Role

The anticipated demand for bridge-to-HUD financing reflects broader trends in the private debt market, which has become an essential component of CRE capital stacks. Nonbank lenders now manage \$1.5 trillion of the \$4.6 trillion in outstanding CRE loans, according to McKinsey, and that share is poised to almost double by the end of this decade.

Private debt investors benefit from an illiquidity premium, with Preqin reporting private credit returns 300 to 400 basis points higher than public market comparables since 2010. Floating-rate structures in CRE debt have generated yields exceeding 10% in recent years, making the asset class particularly attractive amid fluctuating interest rates.

When it comes to HUD loans, the slowdown in general transaction activity has resulted in several quarters of declining volume. In FY 2023, HUD insured 711 loans with a balance of \$12.41 billion and is on track to close 2024 with \$9.3 billion in multifamily and healthcare loan volume.

To address this decline and boost liquidity to the sector, the agency recently proposed significant changes to its underwriting criteria. These adjustments—which include lowering DSCRs from 1.17x to 1.15x, raising LTC/LTV limits from 85% to 87%, and the introduction of a middle-income housing program—aim to boost production by making it easier for borrowers to secure higher proceeds. With implementation expected in early 2025, these updates are poised to provide much-needed liquidity and encourage new development, particularly in an environment where financing remains constrained.

With these favorable policy changes, along with the Federal Housing Finance Agency's recent increase in GSE loan caps, HUD loans are expected to play an even larger role in 2025.

Bridge-to-HUD loans exemplify the strengths of both private debt and multifamily. They are secured by high-quality multifamily assets and offer clearly defined exit strategies tied to HUD's permanent financing programs. These loans also align with broader investor sentiment: in a 2024 Preqin survey, 92% of private debt investors planned to maintain or increase their allocations, reflecting confidence in the sector's ability to deliver consistent, risk-adjusted returns.

Opportunities for Investors

This intersection of multifamily demand and private debt provides a unique investment opportunity. Bridge-to-HUD financing enables investors to participate in two of the most resilient sectors of the market, leveraging the growth potential of multifamily while capturing the structural benefits of private credit.

As multifamily sponsors increasingly turn to bridge-to-HUD loans to navigate acquisition timelines and stabilization efforts, the need for experienced and well-capitalized lenders

By riding the waves of multifamily demand and private debt growth, investors can position themselves for success in an ever-evolving market landscape.

is growing. Investors seeking to deploy capital in this space should prioritize platforms with proven expertise in both bridge financing and HUD underwriting, ensuring a smooth transition from short-term to permanent debt.

The market environment of 2025 is one of both challenges and opportunities. While traditional capital sources remain constrained, private debt is stepping in to fill critical gaps, driving innovation and supporting multifamily's continued growth. For those prepared to align their strategies with these trends, bridge-to-HUD financing offers a path to strong financial returns and meaningful contributions to addressing the nation's housing needs.

By riding the waves of multifamily demand and private debt growth, investors can position themselves for success in an ever-evolving market landscape. ■

Gary Bechtel is the CEO of Red Oak Capital Holdings, a Charlotte, NC-based provider of private capital solutions for commercial real estate nationwide.

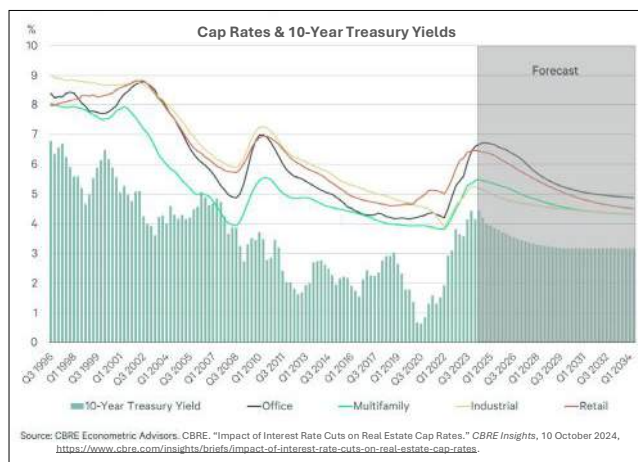
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RED OAK
CAPITAL HOLDINGS

Capitalizing on the Multifamily Upcycle in 2025

By Mike Madsen

REALSOURCE PROPERTIES



The multifamily sector is entering the early stages of a measurable macroeconomic recovery, supported by peaking commercial mortgage rates, resilient rental demand, and early indicators of rental rate inflation across key metros. Apartment REIT Price Indexes show a steady recovery in multifamily values since late 2023, with variations by vintage and location. Cap rates peaked in select MSAs during 2024 and are expected to stabilize or peak in others through 2025. Multifamily stands out as a leader in the recovery, offering promising opportunities for strategic investors.

Macro Demand Outpaces Supply

For the first time since 2021, absorption outpaced supply for two consecutive quarters across 60+ large metros. A slow-down in new construction starts in 2024 is expected to result in sharply reduced deliveries by 2026 and 2027. Demand will exceed supply in most primary and secondary markets over the next three years, supporting rent growth.

Barriers to homeownership, including the affordability gap and rising down payment requirements, are causing renters to lease longer and driving multifamily demand.

Strategic location selection remains critical, especially in mitigating risks tied to inflation, property taxes, and insurance costs. Rental rate inflation may surprise some growing metros, driven more by a lack of new supply than by robust demand expansion.

Reduced Uncertainty Heading into 2025

Post-election clarity in the U.S. and G20 nations has eased investor uncertainty, providing a more stable economic backdrop. Continued deficit spending and tax reforms are expected to support near-term GDP growth, although tighter immigration controls could constrain labor markets by late 2025. While tariff policies may introduce volatility in bond and stock markets, multifamily investments remain relatively insulated from these risks, solidifying their position as a reliable asset class across diverse economic conditions.

With the stock market near all-time highs, multifamily offers a promising entry point for investors seeking to "buy the dip" in current conditions. The P/E ratios for stocks and cap rates for multifamily are similar metrics, yet they have moved oppositely in recent years. The multifamily sector's sensitivity to interest rates could offset softening

employment trends, making it uniquely positioned in today's economic environment.

Multifamily's Strategic Opportunities in 2025

If the economy achieves a soft landing, job and wage growth could drive higher revenues and asset values in multifamily. Conversely, slower job or GDP growth could shift capital into U.S. Treasuries, driving down long-term interest rates and benefiting multifamily financing. Combined with potential Federal Reserve rate cuts, these conditions would further support multifamily valuations and mitigate broader market volatility.

Cap rate trends, overlooked during multifamily's last late-cycle phase, are once again a critical metric for discerning investors. Sponsors with cyclical discipline are ready to capitalize on the recovery phase in primed locations.

From Hesitation to Action

Navigating euphoric conditions required discipline during the last market peak before rising cap rates signaled overvaluation. Conversely, hesitating during market lows risks missing opportunities when fundamentals point to recovery. With cap rates stabilizing, the focus is shifting—from avoiding pitfalls to identifying and capitalizing on well-timed opportunities.

For investors ready to act, this early phase of the multifamily upcycle offers a compelling opportunity to diversify away from stocks trading at all-time high share prices. Multifamily investments provide a reliable pathway to achieving consistent cash flow and sustainable long-term growth amid today's evolving economic landscape. ■

Mike Madsen is Vice President of Acquisitions and Economics at RealSource Properties.

Learn more at www.realsourceproperties.com.



Equity Valuations: Perspective, Not Panic

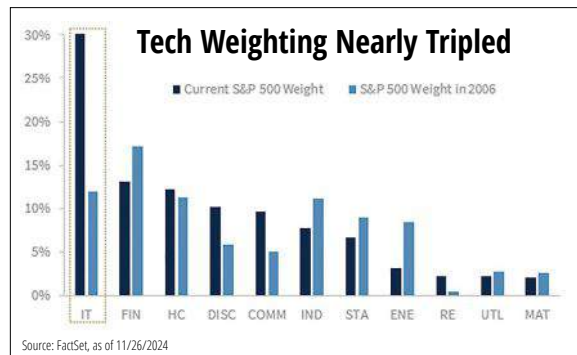
By Larry Adam

RAYMOND JAMES

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Is the S&P 500 overvalued? While its trailing price-to-earnings ratio (P/E) is currently at the upper end (96th percentile) of its twenty-year range, we do not believe these high multiples indicate a bubble. Here are the reasons why current P/E ratios are not out of bounds:

- 1. Sector Composition:** The sector composition of the S&P 500 has changed significantly since 2000. There has been a major shift toward higher valuation, growth-oriented sectors like Technology, Consumer Discretionary and Communication Services, and away from lower valuation sectors such as Financials, Energy and Consumer Staples. In 2006, the 'Big Three' higher valuation sectors represented about 23% of the Index; today, they account for a staggering 50%—more than double their previous weight. This shift leads to higher overall P/E multiples because the average twenty-year P/E multiple of these higher valuation sectors (22x) is significantly higher than that of the lower valuation sectors (15x).
- 2. Average vs. Market-Cap Weighted:** The Equal Weight S&P 500 is trading at ~18 times earnings, slightly above its long-term historical average. So, the average valuation of a stock in the S&P 500 is, essentially, average. However, the most quoted version of the S&P 500 is the market-cap weighted version, dominated by mega-cap tech-related stocks. These tech-related names make up a significant portion of the S&P 500 (~30% of the Index), skewing the overall valuation higher due to its large exposure to these higher valuation, growth-oriented stocks.
- 3. Quality Earnings:** Higher quality earnings have contributed to the increased multiple. Companies today are reporting more free cash flow, which puts upward pressure on the multiple. For example, in 2006, the free cash flow conversion rate—the ability of a business to convert profits into free cash flow—was 35%, compared to 50% today. Higher free cash flow conversion leads to higher P/E multiples, not because the companies are overvalued, but because they generate more cash, providing more opportunities to reinvest, pay dividends, buy back shares, engage in M&A, and more.
- 4. Passive Investing:** The significant rise of passive investing has also supported higher valuations. When investors buy the S&P 500 through passive ETFs, the investment flows primarily go to the market-cap weighted version of the



Index. This disproportionately benefits the largest companies, which are often higher valuation, growth-oriented stocks. As a result, these flows help drive the overall Index multiple higher.

- 5. Bull Market Dynamics:** The current bull market, now in its third year, has contributed to the higher multiples. Historically, the first two years of a bull market are driven by P/E expansion as the market anticipates future economic and earnings growth. Now that future is here. Thus, we expect only modest price increases for the Index over the next 12 months, with earnings growth outpacing price growth. As a result, it is not uncommon for the P/E to gradually move lower as the cycle progresses.

Bottom Line: The current elevated S&P 500 multiple suggests that near-term returns may be more muted, which explains our cautious outlook on the equity market. However, compared to historical standards, a higher multiple is justified and does not signal the end of the bull market or a bubble. Ultimately, valuations are just one aspect of the market's longer-term trajectory. As we expect economic and earnings growth to remain positive, the bull market should continue, albeit at a more modest pace. ■

Larry Adam, CFA, CIMA®, CFP® is CIO at Raymond James.

Learn more at www.raymondjames.com.

RAYMOND JAMES

Optimizing Revenue Management to Uncover Hidden Profits

By Pete Hess

PUREFACTS

Amid the financial industry's persistent pursuit of **organic growth**, seemingly everyone is racing to unveil hidden profits. From independent advisors to institutional asset managers, financial professionals are focused on finding new income streams.

But could outdated technology and inefficient methods be compromising their results?

It's quite possible. An estimated **42% of companies** report **"revenue leakage,"** defined as a loss of revenue due to weakness in a business's management practices or other unnoticed causes.

Harnessing Untapped Potential

Those seeking to maximize their earning potential can now bolster their efforts with modern revenue management platforms. Today's systems meet diverse requirements, revealing inefficiencies and automating processes to uncover culprits that could be draining their profits.

Transcending Spreadsheets

Although tracking financials is nothing new, applying the information to gain a competitive advantage requires more advanced intelligence than an Excel workbook can offer. In contrast, artificial intelligence (AI)-infused systems can effectively monetize aggregated findings through built-in, multidimensional workflows that allow elasticity modeling, forecasting and analyzing past performance to reveal untapped potential gains.

But they don't stop there. Beyond computing financials and identifying potentially profitable opportunities, they establish processes for converting data into actionable insights with integrated real-time monitoring.

While data harvesting is foundational for driving organic growth, the real advantage lies in applying the insights to unlock hidden income potential.

Expediting Operational Functions

Comprehensive revenue management systems function seamlessly across fee schedules, billing and payables. They can simplify complex fee structures, exposing current and potentially hidden delinquencies and other uncollected receivables. Additionally, they can automatically generate and deploy statements, schedule ACH transfers and even



link payments to general ledger entries.

Their expansive functionalities can automate payables, allowing trailer fees, referral rewards and other royalties to flow smoothly into a core reporting system for accelerated processing. This creates efficiency and strengthens collaboration between producers and businesses, by expediting multi-tiered commissions and performance-based compensation payments, to reward behaviors that meet stakeholder and business goals.

The capabilities of a good revenue management system are numerous—from informing business decisions that boost profitability to extracting data insights and categorizing them into high-performing and underperforming asset streams.

Boosting the Bottom Line

With their vast potential, modern revenue management platforms offer promise for businesses, struggling to break the cycle of lackluster performance and for those doing well to grow exponentially.

Not all platforms offer comprehensive and intuitive end-to-end solutions, so business owners need to select a system that is compatible with their operational needs. Although this might require work at the front end, the results will make the efforts worthwhile.

Having the right revenue management tool in place can unlock trapped cash flow and boost a business's bottom line, all without the need to add a single customer. ■

Pete Hess is the President of PureFacts Financial Solutions, an award-winning provider of end-to-end revenue management solutions for the investment industry.

Learn more at www.PureFacts.com and [LinkedIn](#).

PUREFACTS

The Time for Strategic Marketing Is Now: How RIAs Can Ignite Organic Growth

By Kirk Lowe
PROUDMOUTH

RIAs can no longer rely solely on referrals, market growth, or M&A to drive revenue. While these traditional methods have served a purpose, recent findings show that many RIAs are falling short of achieving genuine organic growth. In this article, we will explore why a shift to strategic marketing is imperative—and how to set your firm apart to ensure long-term success.

Embracing Modern Growth Strategies

Referrals have historically been a cornerstone of RIA client acquisition, with approximately 80% of advisors¹ depending on them for new business. However, the referral landscape has evolved significantly. Today's clients conduct extensive online research, looking for reviews, expertise, and social proof before deciding. It's crucial for RIAs to maintain visibility and remain top-of-mind for prospects. Ignoring these evolving dynamics can result in missed opportunities and a dwindling client base.

Additionally, relying heavily on M&A can provide a temporary boost but fails to cultivate new client relationships. M&A simply redistributes existing assets rather than opening up new markets. To thrive in the current landscape, nurturing organic growth through strategic marketing is the only viable path forward.

The Need for Increased Marketing Investment

One of the primary reasons RIAs struggle with organic growth is their inadequate investment in marketing. Many advisors allocate a mere 2%² of their gross revenue to marketing—far below the 5-10% recommended in professional services³. This underinvestment reflects a misunderstanding of marketing's true role; many firms expect quick returns from short-term campaigns, leading to disappointment when immediate results aren't achieved.

True organic growth is a long-term commitment. It often requires five years or more of consistent, data-driven marketing efforts to establish a recognizable brand and loyal client base. RIAs must shift their outlook, viewing marketing as not just an expense but a vital investment in their future.

Leveraging the Power of Content Marketing

In today's "expertise economy," RIAs must position themselves

as industry leaders. Implementing a content marketing strategy allows firms to showcase their knowledge and influence. By producing high-quality content—such as blogs, podcasts, videos, educational webinars, and social media—advisors can address potential clients' needs and build trust before any formal engagement occurs.

Studies show that content marketing generates over three times as many leads as traditional marketing methods while costing 62% less⁴. Unfortunately, many RIAs have been slow to embrace this shift, losing out on significant opportunities as clients increasingly seek information online.

Strategic Steps for Future Success

To stay competitive, RIAs must adopt a marketing strategy that reflects their expertise. Here's how to proceed:

Invest Adequately: Allocate 5-10% of your firm's gross revenue to marketing efforts. While this investment may seem steep, it is crucial for achieving the visibility that drives sustainable growth.

Harness Content Marketing: Develop a comprehensive content marketing plan that includes thought leadership articles, educational videos, podcasts, and client-focused webinars with a comprehensive distribution and tracking system. By doing so, RIAs can position themselves as trusted experts and attract clients seeking knowledgeable guidance.

Commit to the Long Game: Understand that organic growth is a gradual process. Create a marketing strategy focused on consistent content creation and aim for a five-year timeline to see substantial results.

By prioritizing strategic marketing that establishes their expert authority, RIAs can not only survive the evolving landscape but thrive within it. ■

Kirk Lowe is the Co-Founder and CEO of ProudMouth.

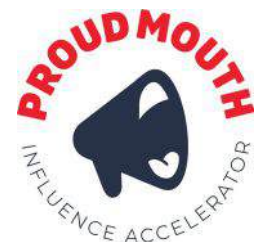
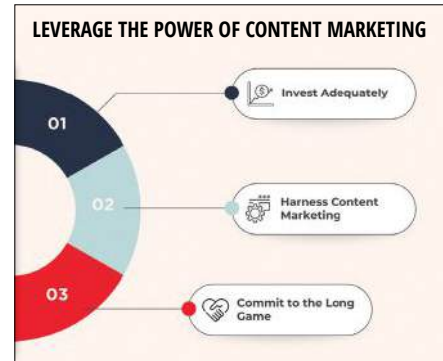
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1. BlackRock and The Ensemble Practice, "ORGANIC GROWTH, Findings from the True Ensemble™ DataInsights 2024 Survey"

2. Ibid.

3. Ibid.

4. Demand Metric insights.



Not all AAA CLO ETFs are Created Equal

By Edwin Wilches
PGIM FIXED INCOME



As the global monetary tightening cycle appears to be in its last throes, the potential of a higher-for-longer rate environment continues to drive investors' [interest in floating-rate assets](#). Particularly, as retail investors now have access to the CLO asset class, investments that are designated for institutional investors only, via ETFs. The ETF evolution of AAA CLOs has democratized the retail investment community to a core building block of some institutional fixed income portfolios.

As such, CLO ETF assets under management have seen a nearly five-fold increase since 2023 to more than \$15 billion as institutional and retail investors search for high-quality yield and portfolio diversification.

A CLO Refresher and Nuance

[As a refresher](#), CLOs are actively managed investment pools of senior secured broadly syndicated loans (BSLs) or middle market leveraged loans. Each CLO is structured as a series

of tranches rated from highest to lowest given percentage of subordination and income stream. We focus on BSL CLOs.

Senior AAA tranches are the most senior, risk remote tranche in the CLO capital structure. The credit enhancement and structural protections of the senior AAA tranches grants them the first claim on cash flows. They also benefit from the credit support of other tranches. The combination of strong structural protections and their seniority in the capital structure has resulted in zero AAA losses throughout their long 30-year history, according to a 2024 S&P Global study on leveraged loan CLOs.

Importantly, not all AAAs benefit from being the senior-most tranche. Recently, the market has seen an increasing number of "Junior AAA" tranches. While we believe these tranches are still fairly risk remote, it is important to appreciate that these tranches are not "first-pay" securities. We observe these securities to behave much more akin to other "second-pay" securities—AA CLOs.

Flat Credit Curves Cause Risk/Reward to be Negatively Skewed As Investors Reach for Marginally Less Yield By Taking A Lot More Risk

	J.P. Morgan CLOIE AAA Index	ETF 1—PGIM AAA CLO ETF	ETF 2	ETF 3	ETF 4
Management fees (bps)	—	19	21	20	20
Collateral Type (%):					
Broadly syndicated loans	100	100	100	85	100
Middle market loans	0	0	0	15	0
Collateral by rating (%):					
Non-senior AAA	2.0	1.1	17.8	20.9	9.0
Portfolio metric:					
Stated spread	148	143	150	159	156
SEC 30-day unsubsidized yield	—	6.64	6.72	6.87	6.80

Source: JP Morgan, Bloomberg, PGIM Fixed Income as of May 2024. For illustrative purposes only. SEC 30-Day Unsubsidized Yield as of latest reportable on respective public ETF websites.

Not all AAA CLO ETFs are Created Equal

Unlike passive investments that mirror benchmarks, CLO ETFs are all actively managed and differ meaningfully across managers. Even at the AAA space, some managers may choose to reach down the credit ratings spectrum in exchange for a pickup in yield. While AAA CLO ETFs may at first appear homogeneous, the composition and credit quality of the underlying portfolios can be vastly different.

CLO ETFs largely fall into one of two buckets—"AAA" and "BBB" funds. These broad-brush categories do not necessarily correlate directly to the ratings of the underlying assets. While an ETF may claim to be AAA CLO ETF, some have a higher percentage of non-AAA tranches than others. And nuances exist even within the AAA category, which can be split into "senior" first-pay tranches and "junior" second-pay tranches. Although both receive a AAA rating, the market sensitivity and risk-adjusted returns can vary meaningfully.

Even "small" differences in the underlying credit quality of a CLO ETF can have a meaningful impact on the portfolio's performance—particularly during times of market uncertainty. Thus, we don't believe investors are adequately being compensated by the marginal spread offered by "junior" second-pay AAA tranches.

This could have a significant impact on total returns. In doing a simple back-test comparison of potential

performance between ETF 1 and ETF 2—using the historical index performance in the chart—we observe that ETF 2 would have underperformed ETF 1 by an additional -1.8% in a one-week period. Actual trading costs due to redemptions may cause even wider dispersion—especially for managers who do not have established CLO business and longevity in the asset class.

With some managers more willing to reach down the credit ratings spectrum, increased differentiation across AAA CLO ETFs is likely, with investment managers possessing market access, strong research and credit capabilities best positioned to capture relative value opportunities. This creates the possibility of a wide dispersion of results—especially during times of market stress. ■

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PGIM FIXED INCOME

Reasons for the Continued Success of Private Commercial Real Estate Debt Funds in 2025

By Cory Johnson and Zach Murphy

PENDER CAPITAL

As we approach 2025, the landscape of commercial real estate (CRE) is poised for significant transformation. Private commercial real estate debt funds are expected to thrive in this evolving environment, driven by a confluence of market dynamics, investor demand, and structural advantages. This article explores the key reasons behind the anticipated success of these funds in the coming year, revealing why we're doubling down on our 2024 predictions.

Maturing Loans and Refinancing Needs

One of the most compelling factors contributing to the growth of private commercial real estate debt funds is the impending maturity of nearly \$1.2 trillion in CRE loans by the end of 2025. As these loans come due, borrowers will face the critical need to refinance. Despite decreasing interest rates which are expected to continue well into next year, regional banks remain dislocated and offerings from traditional lenders remain weak. There are no indicators that conventional lending is turning. In fact, we see more disengagement in the CRE lending space due to economic uncertainties, creating a gap that private debt funds can (and will) fill. These funds are often more flexible and can provide tailored financing solutions that meet the specific needs of borrowers, making them an attractive option in a tightening credit environment.

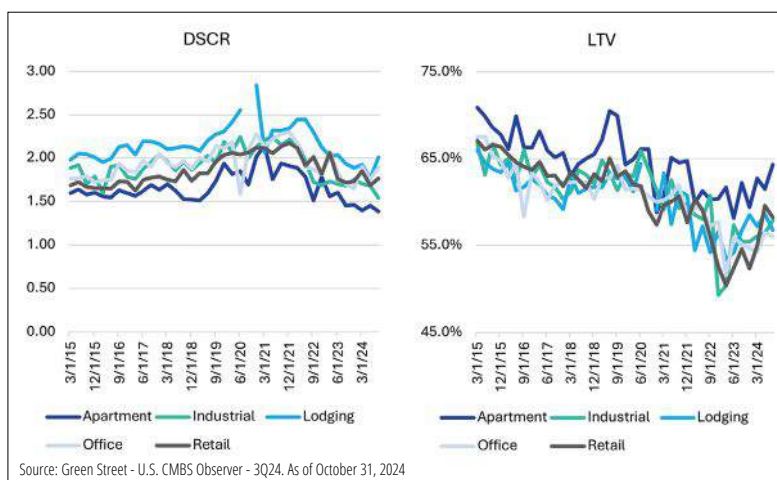
Stabilization of the CRE Market

The commercial real estate market is showing signs of stabilization, which is crucial for the success of debt funds. According to recent analyses, the outlook for 2025 indicates increasing clarity and ample opportunities for intelligent and agile players in the market. As the economy continues to recover

from the disruptions caused by the pandemic, sectors such as industrial, multifamily, and logistics are expected to continue to perform well. This stabilization will enhance the creditworthiness of borrowers, thereby reducing the risk for private debt funds and encouraging investment.

Demand for Alternative Financing Solutions

In an era where traditional banks are tightening their lending criteria, the demand for alternative financing solutions remains on the rise. Private commercial real estate debt funds



offer a viable alternative, providing quicker access to capital and more flexible terms than conventional lenders. This shift in borrower preference is likely to persist as businesses seek to navigate the complexities of the post-pandemic economy. The ability of private debt funds to adapt to changing market conditions and borrower needs positions them favorably for continued growth.

Attractive Risk-Adjusted Returns

Investors are increasingly drawn to private CRE debt funds due to their potential for attractive risk-adjusted returns. In a low-interest-rate environment, traditional fixed-income investments may not yield sufficient returns, prompting investors to seek higher-yielding alternatives. Private debt funds typically offer higher interest rates compared to traditional debt instruments, making them an appealing option for income-focused investors. As the market evolves, the ability of these funds to deliver consistent returns will further solidify their position in the investment landscape. Further, with the assets of private debt funds sitting in a secured position, the risk lessens with lien position, strong underwriting and favorable loan-to-value (LTV) ratios.

stringent, private debt funds are often less encumbered by such constraints. This flexibility allows them to respond more swiftly to market opportunities and borrower needs. Furthermore, the increasing acceptance of private debt as a legitimate asset class among institutional investors has enhanced the credibility and attractiveness of these funds.

Downside a Hidden Upside

Private CRE credit funds are generally at the top of the capital stack, generating fairly predictable returns for investors. However, with the present opportunities these vehicles don't have to remain as predictable. Loosening of capital constraints will generate higher-than-expected returns for a well-balanced portfolio. Presently, the demand for high-quality private credit deployment is greatly outpacing the current capital raise, which will continue to logjam unless investors act. Significant investment inflows will not cause cash drag, as pipelines are full of quality assets. With the opportunities for the private CRE credit space already here and increasing daily, investors will be rewarded for capital placement in these vehicles.



Conclusion

The continued success of private commercial real estate debt funds in 2025 can be attributed to several interrelated factors, including the maturation of existing loans, stabilization of the CRE market, rising demand for alternative financing solutions, attractive risk-adjusted returns, diversification benefits, and a favorable regulatory environment. As the market evolves, these funds are well-positioned to capitalize on emerging opportunities, making them a critical component of the commercial real estate financing landscape in the coming year. Investors and borrowers alike should keep a close eye

Diversification Benefits

Private CRE debt funds provide investors with diversification benefits that are particularly appealing in uncertain economic times. By investing in a range of properties across various sectors and geographic locations, these funds can mitigate risks associated with individual investments. This diversification not only enhances the stability of returns but also aligns with the growing trend among institutional investors to seek exposure to alternative asset classes. As more investors have recognized the advantages of including private debt in their portfolios, the continued demand for these funds is likely to increase.

Regulatory Environment

The regulatory landscape is also evolving in a manner that favors private CRE debt funds. As regulations surrounding traditional banking and lending practices become more

on this dynamic sector as it navigates the complexities of the post-pandemic economy. ■

Cory Johnson is Co-Founder and CEO and Zach Murphy is Co-Founder and CIO of Pender Capital.

Learn more at www.pendercapital.com.

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Pender
CAPITAL

Does Low Median to Mean Ratio Stand Up?

By Joe Lucking
PANORAMIX

— 10TH ANNUAL —
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An October 1, 2024 article by Carley Clark for FinanceBuzz Money contained a breakdown of net worth averages and medians for each decade of life from those in their twenties to those in their nineties. Clark focused on the expected: people in their twenties have little; accumulation accelerates as they pass through their full-employment years; slows in their sixties; and drops off in their seventies and later. Although that drop off is less than one might initially hypothesize, these are obvious conclusions.

What is truly stunning in that study is the difference between the average and the median (half above, half below). For example, those in their twenties average a net worth of \$106k. The median is a mere \$7.5k. This evidence means a striking wealth divide, with those in the upper half holding substantially more than those in the lower half. We wanted to see if those numbers held up to another evaluation. To do that, we looked at the investable assets (not net worth) of the same age groups, pulling data from Panoramix.

The figures in the table support three correlations to the original study. In a normal distribution curve, the average and the median are the same. The further apart they are the more the data skews toward one end or the other. The asymmetry of the data supports the fact that the lower value half for both net worth and investable assets have far less of each than the upper half, the first correlation supporting the existence of a wealth divide. Now, a handful of wealthy outliers could account for the skewness. It only takes one Warren Buffet in the pool of nonagenarians to raise the mean significantly, after all.

For example, in the Panoramix data a single thirty-something with over \$20 million in investable assets tilts the results to the right side of the equation. The same holds true in every age category in Panoramix. I suspect that it holds in Clark's net worth data too.

Second, the correlation in all age group averages reveals investable assets at a mean of 27% of net worth. What could account for that? In the immortal words of Lucy Van Pelt in 1965's *A Charlie Brown Christmas*, "Real estate!" A story by Federica Cocco for *The Washington Post* on October 18, 2024, supports this conclusion as well by stating that "...home equity seems to have emerged as the wealth-creation hero.

Age	Clark Data			Panoramix Data		
	Average	Median	Percent	Average	Median	Percent
20s	106,601	7,487	7%	39,119	6,800	17%
30s	298,379	35,344	12%	90,602	17,970	20%
40s	752,363	125,434	17%	207,611	44,438	21%
50s	1,361,319	289,633	21%	286,929	76,090	27%
60s	1,670,367	445,422	27%	388,100	136,398	35%
70s	1,605,372	371,626	23%	399,813	132,330	33%
80s	1,490,148	340,615	23%	379,583	76,212	20%
90s	1,294,125	297,499	23%	314,135	170,519	54%

The eldest millennials ... boast about twice the median home equity a Gen Xer did at that age. They also enjoy a substantial lead over boomers." Increasingly, American net worth is tied to home ownership.

Lastly, net worth and investments decline starting in the late 60s and stretching through the 90s, but only by single digit percentages for the first two decades. In the Panoramix data, the 80s have the lowest maximum investments value older than the 20s. This suggests that even with a 5% drop in overall value, older investors have a long savings runway. However, in the 90s, one person with a \$150 million portfolio fails to completely offset the 17% overall investable asset drop. People on the lower end of the savings scale could, indeed, be running out of money after all.

When you see popular press articles such as these and wonder how they correlate—or don't—to your own practice, you should have the tools to do that analysis quickly and accurately at your fingertips. Do you? ■

Joe Lucking is Director of Operations at Panoramix.

Learn more at www.PanoramixFinancial.com, [LinkedIn](#), [Facebook](#) and [YouTube](#).



Why the U.S. Bull Market Should Have Legs...

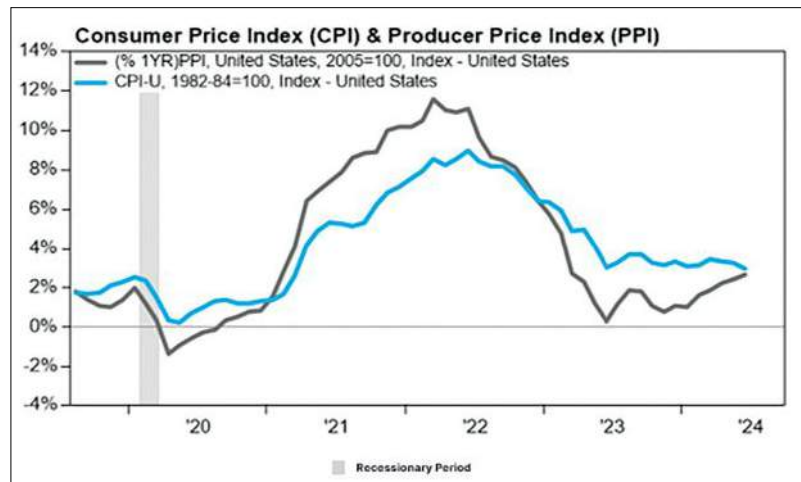
By Tim Holland
ORION

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Winner

As we take pen to paper, U.S. equities are up nicely year to date (the S&P 500 having gained 15.1% through 2024). Assuming current performance trends hold into year-end, investors will be asking themselves a now familiar question as we head into 2025: 1) Can U.S. stocks continue to catch a bid? We think the answer is yes.

At Orion, we have been optimistic on risk assets generally and U.S. equities specifically since the Fall of 2022. As you will recall, the S&P 500 traded down to 3,490 in late October of that year, a move lower that reset both valuation and investor sentiment (the former became much more compelling and the latter much more bearish—two ingredients key to forming a bear market bottom). And our thinking around U.S. equities hasn't changed much since then, though the reasons for optimism on U.S. equities have changed as the Bull Market has progressed; there has been attractive valuation and bearish sentiment; the battle against inflation beginning to be won, as the Federal Reserve marched interest rates steadily higher and key inflation datapoints, including the Consumer Price Index and the Producer Price Index, marched steadily lower (see chart); the burst of investor enthusiasm around all things AI; a resilient U.S. consumer and U.S. economy—both largely insulated from the very unsettled geo-political backdrop—and an inflection higher in U.S. corporate earnings estimates and an inflection lower in U.S. bond yields.

Moving into 2025, we acknowledge that U.S. equities aren't particularly "cheap," with the S&P 500 trading at a forward price to earnings multiple of 22x (though valuations outside of mega cap tech stocks are much more attractive, particularly among U.S. small cap stocks). There are also the somewhat diametrically opposed risks of a U.S. recession dinging corporate profits or rising bond yields weighing on valuations and making future earnings worth less and bonds more attractive relative to stocks. That said, we think the Bull Market in U.S. equities has legs. Near term, we are in the seasonally strong stretch for the market (November to April) and stocks tend to do well coming out of a Presidential election.



Looking further out, U.S. corporate profits are expected to grow 15% this year; the first year of a Presidential term has historically produced above average market returns; by some counts there is \$7 trillion in money market funds (and some of those dollars could find their way into stocks); U.S. productivity gains have been running above trend of late, a dynamic, that were it to persist, would drive greater corporate profit growth while helping keep inflationary forces at bay, and the Fed should continue to cut rates through 2025, making for a supportive monetary policy construct. Beyond all of that, one could make the case that the current Bull Market kicked off in June of 2023 and if history is any guide Bull Markets tend to run three to five years.

The world—as always—remains an unsettled place, and the U.S.—as always—has its challenges. But for now, we think U.S. equities are biased higher in 2025. ■

Tim Holland, CFA, is Chief Investment Officer for Orion.

Learn more at orion.com, [LinkedIn](#), [Facebook](#), [Instagram](#) and [X](#).



Retaining Ultra-High Net Worth Clients: Solve the Tax Problem First

By Michael O'Shea

ORIGIN INVESTMENTS

According to a Raymond James survey, 91% of investors interviewed in 2023 were very concerned with tax efficiency when planning their estate. Ultra-high net worth (UHNW) clients demand more holistic financial planning that takes their concerns into account with tailored solutions. If you want to attract and retain UHNW clients, you must solve their tax problem first.

UHNW individuals and families often own real estate for investment purposes. This offers potential benefits including tax-efficient income, appreciation and stability. However, real estate often requires active management.

Tax-Deferred Growth

Most active owners of real estate know about 1031 exchanges, in which investors swap one investment property for a “like-kind” property. This transaction allows the investor to defer federal capital gains tax, state income tax, depreciation recapture tax and, potentially, net investment income tax. It can be a powerful wealth-generating tool—but it also comes with strict rules: Investors must identify replacement property within 45 days of their sale, cannot take possession of sale proceeds, must replace any debt, and close within 180 days.

Most importantly, they must continue to manage the new asset they exchange into. In other words, they are exchanging one headache for another. As UHNW investors move along their investment life cycle, priorities change from growth to preservation of capital and income. Besides minimizing their taxes, they want to simplify their lives.

A securitized 1031 exchange into a Delaware Statutory Trust (DST) provides tax benefits without the headache of active management. A DST allows multiple investors to pool their capital into an institutional asset that is managed professionally. This allows them to exchange up into higher-quality real estate and exchange out of active management. Traditional DSTs have been a popular solution for more than 20 years and typically require that investors swap into a new DST every five to seven years as the DST is sold, commonly referred to as “swap until you drop.”

This solution has a few drawbacks, including:

- **Idiosyncratic risk:** The DST investment is a single property
- **Operational risk:** The manager may be selling the DST in a challenging economic environment



- **Illiquidity:** The investor's money is locked up during the DST's hold period
- **High fees:** Traditional DSTs can carry a fee load as high as 20%

Eliminating Risks

However, another type of exchange, called a 721 UPREIT exchange, can eliminate these risks. A 721 solution allows clients to exchange their DST interest into the operating partnership (OP) of a larger fund with a portfolio of properties and receive OP units. Investors get the benefit of diversification and no longer need to swap into new assets. That allows the fund's portfolio of assets to mature over time with the potential for uninterrupted compound growth.

Other benefits include:

- **Tax deferral:** Investors can defer taxes upon receiving OP units—including federal and state capital gains taxes, depreciation recapture tax and net investment income tax.
- **Flexibility:** An UPREIT exchange doesn't have the deadlines of a 1031 exchange
- **Potential for passive income:** Assets are typically stabilized and cash-flowing
- **Simplified estate planning:** A 721 exchange is easily divisible to beneficiaries, who receive a stepped-up cost basis and can typically liquidate holdings with little to no taxes due

As UHNW clients age and their goals and priorities change, they increasingly seek solutions that simplify their lives and reduce taxes. 1031 and 721 UPREIT exchanges are a great way to stay top of mind with these clients as well as earn referrals. ■

Michael O'Shea is Vice President of Origin Exchange at Origin Investments.

Learn more at www.origininvestments.com and [LinkedIn](#).

Source: Raymond James survey



How Investors Could Capitalize on Opportunities in Multifamily Credit

By Tom Briney

ORIGIN CREDIT ADVISERS

In the future, the second half of 2021 and first half of 2022 may be remembered as a raging fraternity party, perhaps only surpassed by the runup to the Global Financial Crisis in 2006. Multifamily property transaction volume peaked at nearly \$170 billion in Q4 2021, a 300% year-over-year increase. Property values increased by the week, driven by excess capital from government stimulus, newfound crypto wealth and all-time-low interest rates. The party inevitably led to a major hangover for real estate investors and lenders.

Nearly one year from the Federal Reserve's first interest rate increase in 2022, the first bank collapsed in 2023. Two days later the Fed stepped in with a safety net, the Bank Term Funding Program. However, ripples from the banking system's reset will continue for years.

Three major aspects of the credit and lending universe have changed—some temporary and others permanent. These changes could add up to outsized opportunities in the multifamily real estate credit sector in 2025.

"Extend and pretend:" By the end of 2023, more than \$270 billion of maturing commercial real estate loans got a one-year extension, with tens of billions of loan balances pushed to 2025 and beyond. The hope is that both values and operating income increase during the extension period and a cash-neutral refinancing becomes possible. As traditional lenders extend these loans, opportunities open for nontraditional lenders to offer loans to fill the space historically occupied by banks.

New entrants, new pricing: With bond securitizations in the form of commercial mortgage-backed securities, and banks representing about 30% of multifamily loan origination, the door is open for opportunistic lenders such as debt funds. Non-bank private lenders represent nearly 20% of new originations, at some of the highest rates in more than a decade, which more than adequately compensates them for systematic risks.

Banking regulations: The Basel Accords, created in the aftermath of the financial crisis, standardized capital and liquidity requirements for lending institutions. This disincentivized banks to take on higher-risk real estate loans such as those for value-added rehabilitation or ground-up development. Debt funds are poised to capitalize.

Potential for Returns

With these three macro forces creating volatility and



uncertainty for banks and other traditional lenders, now is the time to capitalize. In Q4 2024, I have seen yields on multifamily loans 300 to 600 basis points higher than the average over the past 10 years, providing equity like returns with protected and limited downside risk. At the same time, multifamily valuations are at levels last seen from 2018 to 2020, further supporting the potential for exceptional risk-adjusted returns.

It's impossible to know exactly how long this opportunity will last. As more banks re-enter the lending market, and competition to originate new loans intensifies, the yields will drop and the market will return to a more normalized return profile for the risks. However, with a carefully constructed portfolio, and ample consideration given to hedging and loan structure, I believe it's possible to continue to generate yields at today's levels for a client's portfolio for a period of 12 to 36 months beyond the end of the current lending environment.

Both fraternity parties and irrational exuberance have created winners and losers—and caused tremendous pain along the way. The pain of overindulgence often spurs green shoots of innovation, presenting opportunities for new entrants and forcing old players to evolve. The multifamily credit space in the U.S. is in the midst of this evolution. ■

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Source for statistics: 2Q 2024 Newmark U.S. Multifamily Capital Markets Report



Internal Perpetuation— Is It Right For You?

By Alicia Chandler

OAK STREET FUNDING

With more people turning 65 than ever before between now and 2027—what people are calling “**peak 65**”—there’s a lot of talk about retirement. How does a retiring RIA owner hand over the reins of ownership while realizing the value that years of hard work have built? Consider internal perpetuation, which offers many advantages.

Private Equity or Internal Sale?

Some owners may be unaware of the options available for the sale of their businesses. With the rise in **valuations** in recent years, it’s become more challenging for younger associates in an RIA firm to afford a cash buyout. Owners may *want* to pass the business on to a motivated team member but can’t see a way to bridge the gap between the valuation and buyer resources. For this reason, many owners are looking to private equity buyers, seeing this type of sale as an easy, if not ideal, option.

Selling to a buyer within the company (also called **internal succession** or internal perpetuation) can often be managed, however, with the help of lenders familiar with the cash-flow-based value of RIA firms. Deals in which the seller holds a note for part of the purchase price are becoming the norm. These arrangements give the buyer extra time to spread out the payments. It’s ideal for an owner to start the internal succession process several years before their planned retirement, giving the designated second-generation (Gen 2) owner(s) time to step into operational, financial, or other managerial roles and to build up a financial stake in the business.

Advantages of Internal Sales

According to **Fidelity**, 2024 is on track to have 88% of RIA merger and acquisition deals backed by private equity. It may seem like owners looking to sell don’t have much choice but to join the PE bandwagon, yet there are some real advantages to an internal sale.

- **More control over how long the owner continues to work for the firm:** PE-backed deals nearly always contain a three- to five-year earnout period during which the company must meet certain growth and revenue targets. This requirement may not be a good fit for an owner who is looking for a less demanding last few years of work.
- **Greater continuity for staff and clients:** Ownership



transition can make everyone jittery. Knowing the business is in the hands of a Gen 2, who is part of the company, provides a lot of comfort to clients and staff who may be unsettled by the prospect of change. Internal succession can help to reduce staff turnover while diminishing client churn during the transition.

- **Retirement income and tax benefits:** Holding a seller note and spreading payments with interest from the buyer over several years provides an ongoing retirement income stream similar to an annuity. Depending on the seller’s situation, this arrangement could also dampen the effects of capital gains taxes.
- **Comfort of knowing the business is in good hands:** After working hard to grow a business, having a familiar and trusted successor at the helm can be reassuring. Many owners take pride in the continuing success of their firms after retirement and rest more easily knowing the new leadership has been developed under their guidance.

Final Tips

Start early. Give an internal successor three to five years to get up to speed on running the business. Choose a lending partner carefully. Work with a lender experienced with RIA firms and internal perpetuation who can help the process go smoothly. ■

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Institutional Investors and Access to Smaller Markets

By Rance Gregory
NORTHMARQ

In a perfectly efficient market, institutional capital for real estate would seek metro areas experiencing the greatest increases in population and employment growth. Many institutional investors with a preference for large core assets in gateway markets may benefit from a reassessment of post-Covid market trends. Larger gateway markets are historically believed to provide greater liquidity and more stability in financial returns. More recent trends in population and job growth, along with technological and information advances, may warrant revisiting previously *disproportionate* investment allocations to the largest markets.

The top 25 metro areas house 42% of the U.S. population and 44% of total employment. The top 50 MSAs make up 55% of the U.S. population and 56% of total employment. Since 2020, growth trends have favored smaller metro areas, with 70% of total population gains occurring outside the top 25 metro areas. The top 25 MSA growth rate of 1.5% lags the 2.4% population growth for all other markets.

Taken a step further, population trends within many major metro areas are favoring their suburbs over CBD locations. From 2021 to 2023, U.S. inner suburban counties grew by 3.2 million and outer suburban counties added nearly 1 million, while urban counties lost approximately 800,000 people.

Since 2020, 65% of total new jobs have been created outside the top 25 MSAs. The 2020-2024 employment growth rate for the top 25 markets is 1.3% compared to 1.9% for all other markets. The metro areas ranked 25 to 50 have been significantly outperforming the top 25 in population and employment growth.

Within commercial real estate, the top 25 largest MSAs account for nearly 64% of the combined value of the four primary product types (multifamily, office, retail, industrial), with the top 50 MSAs containing 77.5% of value. Despite this top-heavy concentration, the market offers a nearly \$5.5 trillion investable universe (in the four primary product types) found outside many investors' current allocations to the top 25 metro areas, and \$3.4 trillion accessible outside the top 50 markets. Many secondary investment markets allow for an overall yield premium and individual property pricing inefficiencies. The overall average cap rate across the four primary property sectors is 160 basis points higher for markets



outside the top 25 MSAs. At current interest rates, the top 25 markets are barely able to achieve positive leverage, whereas secondary markets more often benefit from spread premiums to enhance cash flow.

Although a large cap investing strategy provides much needed CRE beta, concentration and correlation risks exist for investors who limit allocations to the largest markets and funds. Potential alpha and reduced concentration/correlation may be produced by strategic investments in expanding suburban areas of major metros and in select emerging secondary markets. Because secondary market properties don't require the larger and efficient ticket sizes needed for institutional investors, accessing these markets at scale requires identifying operators and fund sponsors who have the resources to source, underwrite, acquire and manage diversified portfolios in these locations. Nimble allocators best positioned to take advantage of these opportunities will have access to discretionary capital and can identify transactions and close quickly. Such investors may find themselves faced with less institutional competition, possibly providing yield premiums over similar investments in gateway markets.

Over the longer term, increased institutional capital deployments into suburban and secondary markets could improve market liquidity, thereby reducing return volatility and opening additional frontiers for diversified portfolios. Added capital resources in these emerging markets in turn benefit developers, owners and sellers, helping to fuel ongoing growth and expansion. ■

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The Dynamic Duo: Life and Annuities

By Ken Boothe
NATIONWIDE

— 10TH ANNUAL —
2024^{WEALTH}
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A single premium immediate annuity (SPIA) can be a more tax-efficient way to turn a taxable inheritance into a tax-free one.

Many clients cite the lack of cash flow as a reason for not being able to afford life insurance. These same clients may also have a non-qualified annuity with substantial gains that they plan to leave to their beneficiaries. By using current tax law, they may be able to reposition assets for a more tax efficient transfer to their beneficiaries.

When properly done, annuity funds can be used to purchase life insurance. Unfortunately, the cash value in an annuity cannot be 1035 exchanged into a life insurance policy. But a tax deferred annuity can be 1035 exchanged into a SPIA to provide a more tax efficient funding of life insurance.

Because of the 1914 U.S. Supreme Court *Le Gierse* decision, specific parameters have to be followed to maintain the life insurance policy's income tax free death benefit. Fortunately, loss of the life insurance income tax free death benefit can be avoided by using a term certain annuity and a limited pay premium for the life insurance, or by buying the SPIA and life insurance policy from different insurance companies.

IRS Rev Proc 2011-38 permits partial 1035 exchanges. A single tax deferred annuity can be split into more than one annuity contract. When properly done, the basis in the original annuity contract will be allocated proportionally between it and the new annuity. For example, a \$200,000 annuity can be split into two \$100,000 annuities. If the original contract had \$100,000 of basis, the two contracts will split that evenly and each annuity will have \$50,000 of basis.

The rules further state that the client must wait at least 180 days before taking any money from either contract, or they will be aggregated for taxation purposes. Interestingly, one of the exceptions to this aggregation rule is if the client exchanges into a SPIA that is annuitized for ten years or more or for life. There must also be no distributions from the source contract for 180 days after the exchange. The SPIA can begin payouts right away.

When using a SPIA to pay the life insurance premiums, it is important to consider the duration of both the SPIA distributions and the life insurance premium payments. Many life insurance policies work well when funded for at least seven years or more. Since the SPIA must pay out for at least ten



years to avoid the 180-day rule, consideration should be given to a life insurance premium payment term that is at least 10 years. Matching the annuitization and the premium payment terms can provide more certainty.

Here are a few other items to be aware of: If the insured dies before the annuitization term is up, any unused SPIA funds will go to the beneficiaries. If the client is under 59 ½ and does a 1035 exchange from a tax deferred annuity into a SPIA, there will be a 10% premature distribution penalty on the portion of gains paid out by the SPIA. This can be avoided by a lifetime annuitization. (Because of the *Le Gierse* decision, that could be an issue if the life insurance is purchased from the same insurance company.) Each payment from the SPIA will be part non-taxable return of basis and part taxable gain. This dynamic duo can turn an otherwise taxable inheritance into a tax-free future. ■

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[Learn more at www.Nationwidefinancial.com.](http://www.Nationwidefinancial.com)

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Forget Godot, Focus on Earnings Growth Instead

By Mark Hackett

NATIONWIDE FINANCIAL

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As we look ahead to 2025, reflecting on the past two years is essential. The S&P 500® Index is on track to achieve at least 20% return for 2024, marking the second consecutive year of such returns. This reminds us of the dangers of market timing, particularly for those who are fixated on different economic possibilities.

Despite numerous challenges in recent years, the market has exceeded expectations, reaching new heights in 2024. While the outlook for 2025 includes some risks, the current setup is generally favorable. We see healthy corporate profits, a cautiously accommodative Federal Reserve, and an economic backdrop moderating toward trend growth.

Corporate earnings and guidance will be crucial in 2025 as the economy moderates toward trend growth. Corporate profitability will likely to normalize with GDP growth, as factors like disinflation and economic policy uncertainty may temper lofty earnings projections. Thus, earnings growth will depend on resilient economic data, strong revenue growth, and the performance of the other 493 companies in the S&P 500. Like 2022, profit margins will be critical in 2025 as investors balance productivity growth against declining corporate pricing power.

Much of the positive market sentiment—such as expectations of a soft landing, accommodative monetary policy, and moderating inflation—appears to be reflected in current valuations. The S&P 500's trailing twelve-month price-to-earnings (P/E) ratio is at 27x, its highest level outside the COVID period in over two decades. Additionally, the S&P 500's forward P/E ratio of around 22x is nearing rare territory. While valuations have been a tailwind for investors, future returns will likely need to be driven by earnings growth. Any growth scares or weak corporate guidance could challenge investors in 2025.

By viewing volatility as an opportunity rather than a threat, investors can reassess their portfolios and ensure their financial goals align with long-term objectives. Regardless of what 2025 holds, recognizing that volatility is an inherent part of investing—often exploiting short-term thinking and emotions—can help investors maintain a long-term perspective during market fluctuations. Amid market selloffs, corrections, or bear markets, a key truth remains: disciplined



navigation of volatility, guided by a well-constructed financial plan, is essential for building lasting wealth. This approach transforms market volatility and uncertainty into opportunities for creating resilient portfolios. ■

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S&P 500® Index: An unmanaged, market capitalization-weighted index of 500 stocks of leading large-cap U.S. companies in leading industries; gives a broad look at the U.S. equities market and those companies' stock price performance.

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Navigating a New Era for the Economy

By Joseph R. Gaffoglio
MUTUAL OF AMERICA

2024 brought a multitude of changes: the first interest-rate cut since the onset of the pandemic, the election of a new U.S. president, several heartbreaking natural disasters and ongoing geopolitical conflicts. Amid these macroeconomic issues, the U.S. financial markets continued to set record highs while the economy remained generally strong. The latter benefitted from moderating inflation and brisk consumer spending, among other factors.

In the financial markets, the S&P 500® Index was up a robust 27.8% through November 22, while the Bloomberg U.S. Aggregate benchmark, a proxy for bond performance, was up 2.3% during the same period. Of note during the second half of 2024, the broadening of equity performance beyond the Magnificent 7 stocks to mid- and smaller-cap companies was a positive sign for the markets.

The Fed Stays on Course

Last September, Federal Reserve Chairman Jerome Powell delivered the first interest rate cut since March 2020, lowering the target range by half a percentage point to a range of 4.75%-5.0%. That decision, along with a quarter-point cut in November, was broadly welcomed by businesses and consumers. While the lead-up to the election created uncertainty in some segments of the markets, Powell stressed that nothing related to the election, including its outcome, would influence Fed policy. Some questioned whether the half-point reduction was too ambitious of a start to the rate-cutting cycle, but most market participants agreed that monetary policy could be loosened even though inflation had not yet reached the Fed's goal of 2%. Looking at 2025, Real GDP is projected to increase by 1.8%—a slowdown in average growth from an expected 2.6% in 2024 and 2.9% in 2023—with four more quarter-point rate cuts the general consensus.

Watching the Labor Market

While the 2% inflation target has proven elusive so far, the Fed has been successful in lowering inflation levels with an economy that is in relatively good shape. As the Fed considers additional interest rate cuts, it will also be closely watching the labor market's direction. There was an overall softening in job growth during 2024, and the unemployment rate increased from 3.7% in January to 4.1% in September, but there were some very robust months of job growth that



surpassed expectations. A strong labor market and sticky inflation could mean that the market may be too optimistic regarding rate cuts this year.

Continued solid wage growth has helped keep consumer confidence generally positive. Most Americans continue to spend, even as prices for many goods and services remain much higher than just a couple of years ago. However, there is cause for concern that price levels and higher rates may be starting to bite, particularly for lower- and middle-income households, as credit card and auto loan delinquencies have been increasing.

Diversification is Key

Given elevated valuations in certain parts of the equity market, and some uncertainty around the path of inflation and future interest-rate cuts, investors should be careful not to become too complacent on the back of 2024's strong performance. Having a diversified portfolio that is appropriate for your investment time horizon and risk tolerance can help reduce volatility during adverse markets. ■

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Captive Insurance: A Strategic Tool for Multifamily Investors

By Daniel Weede and Luke Owens
MORRIS, MANNING, & MARTIN, LLP



Finding effective and affordable risk management solutions can be challenging for multifamily owners and investors in high-risk areas like Florida, where natural disasters like hurricanes drive up insurance premiums. This is where captive insurance—a tailored, in-house insurance model—comes in as a powerful alternative. By establishing a captive insurance company, multifamily owners can manage insurance costs, customize policies to fit unique risk profiles, and potentially achieve long-term savings.

What is Captive Insurance?

A captive insurance company is a separate entity created by a parent company (in this case, a multifamily property owner or holding company) to provide insurance exclusively for the parent and its related entities. Instead of paying high premiums to commercial insurers, the owner can fund the captive to cover certain risks, giving them greater control over claims and reserves.

Benefits of Captive Insurance for Multifamily Owners

- 1. Customized Coverage:** Captive insurance allows multifamily investors to create policies that address their specific risks, such as hurricane damage, flood coverage, and other exposures. This customization can make insurance both more relevant and potentially more cost-effective than commercial policies, which may have limitations or high deductibles in areas like Florida.
- 2. Cost Control and Stability:** Hurricane-prone geography means insurers often charge steep premiums, especially following active storm seasons. A captive insurance structure provides owners with greater control over premium costs by reducing reliance on commercial insurers and allowing them to allocate funds for claims and risk management. This can result in more predictable costs year-over-year, as premiums won't fluctuate wildly with the commercial insurance market.
- 3. Improved Claims Management:** Traditional insurance claims processes can be lengthy and complex, especially following widespread events like hurricanes. With a captive, the parent company has more direct control over claims, enabling faster resolutions and reduced administrative hurdles. This streamlined approach is invaluable

when owners need to address urgent repairs and restore properties after a storm.

- 4. Potential Tax Benefits:** While not guaranteed, certain captive structures can provide tax efficiencies. For example, premiums paid to a captive may be deductible as a business expense, and investment income generated by the captive can grow tax-deferred. To maximize these benefits, it is essential to work closely with a tax advisor familiar with captive insurance regulations.
- 5. Access to Reinsurance Markets:** By forming a captive, multifamily owners can access reinsurance markets to cover catastrophic losses. For instance, a Florida-based captive could secure reinsurance specifically for hurricane events, potentially mitigating the financial impact of a direct hit. This layered approach to risk—utilizing the captive for primary coverage and reinsurance for catastrophic losses—allows owners to build a more resilient risk management strategy.

Is a Captive Right for You?

Establishing a captive insurance company involves upfront costs and regulatory compliance. Therefore, it's most suitable for property owners with significant assets or a portfolio of properties where the long-term savings will outweigh these initial expenses. Captives can be an especially valuable solution for owners in hurricane-prone states, where high commercial insurance premiums can threaten profitability.

For multifamily investors in high-risk areas, captive insurance can be a forward-thinking strategy that reduces reliance on expensive commercial insurance, stabilizes costs, and customizes coverage to meet specific needs. With the right planning, a captive can be a vital tool. ■

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What Exactly Is Build-to-Rent?

Confusing this property class with its close cousins may prevent investors from recognizing its appeal

By Brad Case

MIDDLEBURG COMMUNITIES

Recently a writer on LinkedIn who described himself as an “expert on real estate investment” proved exactly the opposite by writing about the Build-to-Rent (BTR) category. It’s a common mistake, but one worth avoiding. Understanding the investment appeal of BTR starts with understanding its place in the full rental housing asset class.

Multifamily rental housing encompasses high-rise, mid-rise, and low-rise apartment buildings, garden and town-house communities, and even duplexes or triplexes: the common element is simply that two or more (usually many more) households rent within the same building. (Condominiums and co-ops are multifamily owner-occupied buildings, not rental housing.) Long-term total returns on multifamily rental housing have averaged around 7.7% as the property level, although they are typically higher when equity investments in property are coupled with some borrowing.

Single-family rental housing comes in three subsets. The first is *scattered-site*. Confusingly, this subset is what is often called SFR—implying falsely that all single-family rental housing is scattered-site—even though scattered-site is clearly

not the future of the asset class. Scattered-site has existed since the beginning of fixed human settlement, and has typically been managed both by amateurs and amateurishly: some guy rents out a house, and may or may not return the call when the toilet clogs. If SFR has a poor reputation, it’s because of amateurish management by amateur scattered-site owners.

The 2009 Great Financial Crisis triggered by owner-occupants brought an important, but temporary, change to the scattered-site subset. As house prices nationwide declined by almost one-fourth, companies such as Invitation Homes (INVH) and American Homes 4 Rent (AMH) saw an opportunity to streamline rehabbing, maintenance, and repairs to scattered-site rental houses: in short, they introduced professional management to the category. Strong initial investment returns demonstrated the value of professional management—just as, earlier, strong returns in self-storage had demonstrated the value of bringing professional management to another real estate category previously dominated by amateurs—but the companies quickly recognized that even streamlined scattered-site simply doesn’t make long-term economic sense.



The second subset of single-family rental housing also doesn't make long-term sense—and, to their credit, its practitioners don't try to pretend otherwise. Large single-family homebuilders design and build homes intended for sale to owner-occupants but, with mortgage interest rates recently topping 7%, builders turned to renting their hard-to-sell inventory. This subset has existed as long as builders-for-sale have had trouble moving inventory, but the fact that it has never outlasted those market conditions—even in its “rent-to-buy” form—reflects that its investment performance can best be summarized as desperation-level.

The key problem for this subset is that it is emphatically not “built-to-rent”—instead, it can best be described as “*built-to-sell-but-rented-temporarily*.” Built-to-sell can mean, for example, that fixtures and finishes are selected to last through the end of the new-home warranty, not for the decade or more that rental property owners expect to hold their asset. Or that none of the community amenities that multifamily renters expect—from pool and clubhouse to things like pet washing station, electric vehicle charging, recycling, and fitness center—were included in the design. Or that any renter may be required to move at the end of the lease if a buyer materializes, because long-term renting was never the business plan. In short, built-to-sell-but-rented-temporarily will never be appealing to investors, except to the newest group of amateur scattered-site owners. (The LinkedIn non-expert's mistake was to confuse this subset with BTR.)

Build-to-Rent (BTR) is the third subset of single-family rental housing, the newest one, and the only one with appealing long-term investment prospects—precisely because it is single-family housing that is built to rent.

A BTR community is designed for households who want to live in a single-family community—not just a collection of houses—with amenities including not just the pool and clubhouse but even things like dog parks and walking/biking trails. And they want professional management, not just to deal with clogged toilets but also to make sure neighbors don't fight over HOA assessments.

A BTR community is also designed for owner/investors who want an asset that will generate a long-lived stream of strong net operating income—not just a one-time shot from unsuspecting customers who will learn better. They want fixtures and appliances that will continue to look good and perform well for many years, not just until the warranty expires. They want locations and amenities that will entice residents to renew their leases, not search for something better as soon as their circumstances change.

And that is the real investment appeal of BTR: an asset whose customers will keep coming back. BTR fills a gap between (1) younger households who want the flexibility of rental housing and are okay with multifamily living and (2) older households who want single-family living but don't want to give up the flexibility of renting or the convenience of

professional management. For households who could afford to purchase and who want their own four walls, BTR is the first form of housing that has ever given them an actual reason to prefer renting.

That advantage has already shown up in the most important performance metrics, such as resident retention and rent growth, even though BTR is a brand-new category. INVH and AMH, the two large companies that professionalized scattered-site management before shifting toward BTR, report that their annualized unit turnover (that is, units whose tenants do not renew their leases) is dramatically lower—24.8% and 32.0% respectively—than for close competitors that own multifamily rental housing such as Mid-America Apartment Communities (MAA at 42.8%) and Camden Property Trust (CPT at 46.0%).

Rent growth on newly leased units has been much higher, too: even though rents nationwide have been hit by a housing supply surge, INVH and AMH reported new-lease rent growth averaging +4.2% and +5.3% respectively while their multifamily competitors MAA and CPT suffered -5.4% and -2.8% respectively.

Improved resident retention also helps to lower operating costs, partly because repainting and other “make-ready” activities are incurred only after one tenant moves out and before the unit gets shown to new prospective tenants but also because residents who are slightly more mature—INVH reports an average age of 38, compared with 35 for MAA—means that certain types of damage are less likely to occur.

Simply the existence of a new category of housing—thoughtfully designed, fully amenitized, professionally managed rental housing in which residents enjoy walls and yards of their own—means that potentially a very large population is likely to choose it, whether as a stepping-stone toward homeownership or as a semi-permanent lifestyle.

In short, well-designed and -executed BTR is likely to continue to provide stronger investment returns than even equally well-designed and executed multifamily rental housing, with higher retention and more-mature residents accounting for much of the advantage. Recognizing the appeal of BTR to investors, however, starts with understanding its appeal to its residents. ■

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COMMUNITIES

Outlook 2025: Navigating Nationalism, Inflation, and Economic Shifts as Globalization Fades

By Brian Andrew

MERIT FINANCIAL ADVISORS

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As we think about turning the page to a new year, we must take stock of the current geopolitical environment, post-election policymaking, economic growth that continues to surprise at home, and how our largest international partners' economies continue to underperform. All this, with a resurgence in risk-taking here at home, given the expectation for better corporate earnings and lower interest rates ahead. Let's examine these issues and think about what's next.

After 25 years of globalization boom, we can see its demise in the 2024 elections. Remember, at the beginning of

the year, we noted that almost half of the world's population would vote for a new leader. In many ways, the successful election of so many populist leaders who are focusing their economies and policies back home puts a fine point on the transition back to more nationalistic views.

This will have repercussions for the global cost structure of doing business in terms of the inflation rate and the availability and cost of labor. Because of these factors, we should not expect inflation to gently ease its way back to the targeted expectation of a U.S. Federal Reserve.



The potential for a global trade battle and a return to the tit-for-tat tariff levying suggests some potential for increasing pricing pressure.

U.S. Economy

The U.S. has continued to provide upside surprises when looking at the strength of economic growth and the labor market. Our unemployment rate remains near 4%, while wage inflation outpaces price inflation. Still, the election tells us that while the rate of change in prices has declined, the absolute level still makes it difficult for people to house themselves, eat, and care for their families. This suggests that policies will attempt to focus on the burden.

The Fed has begun a programmatic reduction in interest rates. The stock market has lifted household net worth by rallying more than 25%. This combination leads to easier financial conditions, suggesting that economic growth could accelerate into 2025. However, it also could act to increase inflationary pressures as demand rises.

We are now 2-1/2 years away from the first search for a recession. To many pundits' surprise, the average real growth rate during that time was 2.75%. It was not stellar, though above last decade's average.

With post-pandemic stimulus and the additional spending through programs like the CHIPs Act, the government has managed to stave off a more significant reduction in growth.

Interest Rates

We believe that we will continue to see a reduction in short-term interest rates as the Fed slowly lowers the Funds rate. In addition, the yield curve will see more stubborn longer-term interest rates as bond investors grapple with new policies globally that could leave inflation moving sideways. Still, there is plenty of yield to entice investors. However, we are cautious about taking credit risk because the market has all

...the successful election of so many populist leaders who are focusing their economies and policies back home puts a fine point on the transition back to more nationalistic views.

Large companies will continue to benefit from a favorable cost of capital, while smaller companies will grapple with these higher long-term rates and credit systems.

but priced away any increase in corporate defaults, given the solid economic backdrop. Large companies will continue to benefit from a favorable cost of capital, while smaller companies will grapple with these higher long-term rates and credit systems.

Global Equities

Stocks have risen around the world this year, though the U.S. once again appears to have moved more. The S&P 500 Index is up over 25%, while the MSCI EAFE index is up less than 5%. We do not favor international markets despite their attractive valuations. In Europe, they have populist issues of their own to wrestle with, dampening growth. In China, the party is dealing with an economy still reeling from a real estate collapse, though they have implemented policies to lower capital costs and generate consumption.

The U.S. continues to be our favorite market, although we are cognizant of the market's narrow breadth and look to add to less favored segments.

Overall, we believe 2025 will bring uneven prosperity, and we will continue to see the transition from globalization policies lifting all economic boats to a winners-and-losers environment. ■

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Learn more at www.meritfinancialadvisors.com, [LinkedIn](#), [Facebook](#) and [Instagram](#).

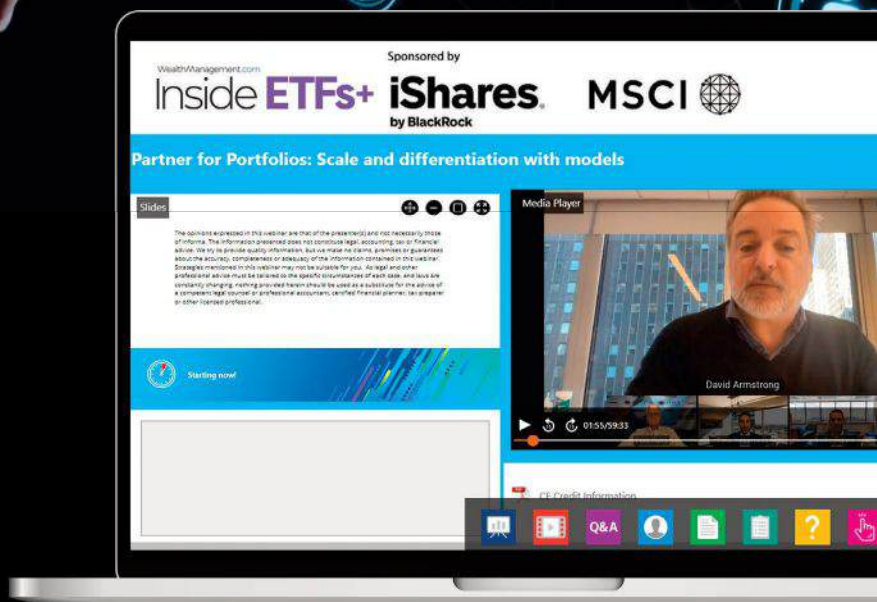


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2025 Investment Outlook: Elusive Expectations

Markets may be efficient, but they will continue to surprise

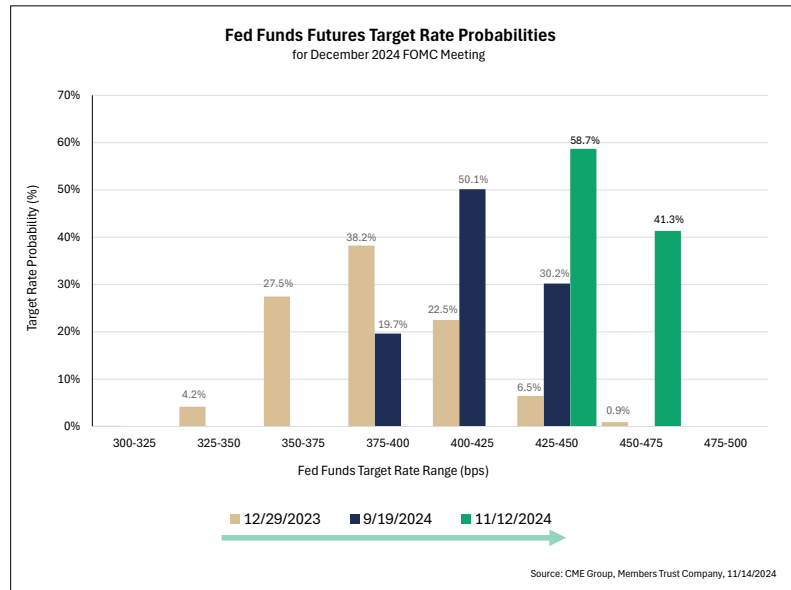
By Kei Sasaki

MEMBERS TRUST COMPANY

At the start of 2024, markets were pricing in investor expectations that appeared to be crowded around a few prominent themes. There was broad consensus that the U.S. economy would fall into a recession. At the time, markets were quick to price in this dire outlook with Fed funds futures indicating prospective six 25 basis point rate cuts to be made before the end of the year. The accompanying chart illustrates how these expectations changed throughout 2024, as it became evident that there would be no recession and the path to lower interest rates would fall short of expectations.

As we enter 2025, we are witnessing similar investor behavior. With the “Red Sweep” of the U.S. elections and communicated policy proposals, investors have rushed into themes being widely perceived as inevitable. Markets appear to have priced these in as reflected in the rallying banking sector, cryptocurrencies, small cap equities, and the rise of 10-year Treasury yields. The durability of these initial market moves will ultimately depend on the U.S. and international economic response to implemented proposals. Consumer-friendly tax policy is expected to lift confidence, thereby supporting spending and the U.S. economy. At the same time, concerns of a shortfall in tax revenue could fuel expectations for greater debt issuance, which could lead to a potentially precarious fiscal future. On the global stage, protectionist trade policies could impact future trade alliances, global supply chains, and the underlying costs of production and distribution. As witnessed in 2018, tariffs on Chinese imports were perceived to have contributed to a retrenchment in economic activity and an inversion of the U.S. Treasury yield curve. This serves as a reminder that restrictions in global trade have the power to move markets in a meaningful and unpredictable way.

Repeated misalignment between expectations and outcomes can increase uncertainty, market volatility, and have unintended consequences for investments. While expectations often prove elusive, personal goals are generally much firmer. As investors prepare for 2025 and beyond, they stand



to benefit from working with a trusted team of advisors to establish a holistic financial plan with long-term objectives. In this manner, they can more confidently implement a strategic and personalized investment strategy to help them navigate through periods of uncertainty and succeed financially. ■

Kei Sasaki, CFA, is Chief Investment Officer at Members Trust Company. MTC is the nation's first chartered trust & investment management company, completely owned by credit unions and with deep roots going back nearly 40 years. Responsible for nearly \$4 billion in member and client assets, MTC has the full breadth of capabilities expected from large national firms, while delivering a personable service experience and relationship that of a local boutique.

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The Beauty of “Boring:” Why Private Infrastructure Shines in Unpredictable Markets

By Adam Toczylowski
MEKETA CAPITAL

— 10TH ANNUAL —
2024 Wealth
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Industry Awards
Finalist

In an investment landscape marked by volatility, uncertainty, and a constant demand for returns, “boring” can often be a virtue. Private infrastructure, with its potential for steady returns and relatively low volatility, may offer a measure of consistency for investors seeking stability. As global markets continue to grapple with geopolitical tensions, inflationary pressures, and shifting monetary policies, private infrastructure offers the potential for more resiliency as an asset class, blending consistency with diversification.

The Core Appeal of Private Infrastructure

At its heart, private infrastructure is grounded in essential services. From highways and airports to renewable energy grids and water systems, these investments are tied to the fundamental needs of society. This may translate into more predictable cash flows, often underpinned by long-term contracts or regulatory frameworks.

For instance, toll roads generate revenue based on usage, while energy projects like wind farms benefit from power purchase agreements (PPAs) that lock in prices for extended periods. These historically predictable revenue streams may potentially make private infrastructure an attractive option during times of economic stress when other asset classes may face wild swings in valuation.

The Potential Steady Returns Advantage

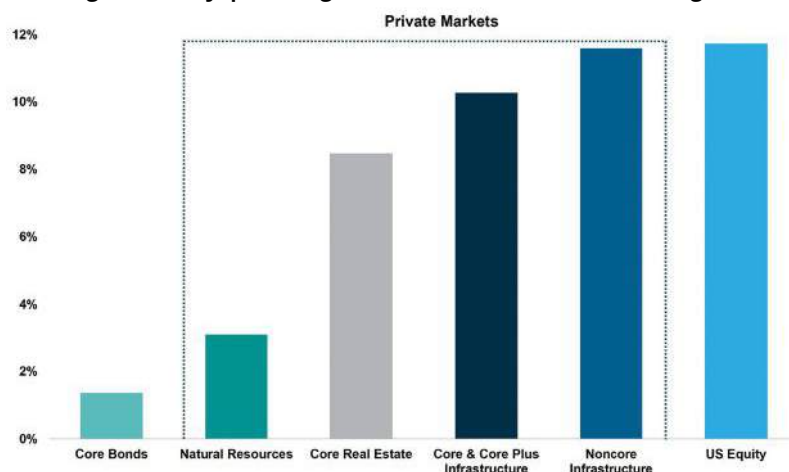
One of the most compelling attributes of private infrastructure is its historical track record of delivering steady returns. Unlike equities, which can be highly sensitive to market sentiment, infrastructure assets may be less prone to sharp fluctuations. This resilience stems from their intrinsic link to economic fundamentals (See Figure 1 to the immediate right).

Even in a downturn, people need electricity, water, and transportation. As a result, the demand for many infrastructure services is inelastic, insulating assets from broader market shocks. For investors seeking to preserve wealth while generating income, this combination of stability and yield may be a winning formula. It’s no wonder that institutional investors, such as pension funds and insurance companies, have long favored infrastructure as a core allocation in portfolios.

Diversification Within Infrastructure

While the word “infrastructure” may conjure images of concrete and steel, the asset class is far from monolithic. Investors can tap into a diverse range of opportunities spanning multiple sectors and geographies. Here are some of the key categories (See Figure 2 on the next page).

Looking at History | Trailing 10 Year Annualized Returns (Figure 1)



Past Performance is not Indicative of Future Performance. May Lose Value.

Source: Quarterly returns sourced from NCREIF, Bloomberg, and Cambridge Associates via HIS Market for the period 4/1/2013 to 3/31/2023 (pulled in November 2023 and January 2024). Indices: Cambridge Core & Core Plus Infrastructure Composite, Cambridge Value Add Infrastructure Composite, Cambridge Opportunistic Infrastructure Composite, Cambridge Natural Resources Composite, Russell 3000, Bloomberg US Aggregate Bond Index, NFI-ODCE Value Weighted Net Total Return.

Note: For purposes of return comparison, we linked quarterly IRRs of Natural Resources and Infrastructure as reported by Cambridge Associates. This is because timeweighted returns for these series were not available and the quarterly IRRs used should not differ materially from time-weighted quarterly returns. Note that the trailing returns we present by linking the quarterly IRRs are different from the trailing IRRs as the trailing IRRs are running the calculation over a longer period in which the weighting of cash flows has a more substantial impact.

Note: There is no complete and reliable data set for private investments. The information is extremely limited, and most data is compiled from funds that elect to self-report and tend to be biased toward higher performing funds. Losses are underreported. Funds included in these measures lack commonality and transparency. Over time, components of the data may change. Funds may begin or cease to be represented based on these factors, thereby creating a “survivorship bias” that may additionally impact the data reported.

Breakdown of Infrastructure Sectors and Subsectors (Figure 2)

Transportation	Energy & Power	Social	Digital/Comms	Utilities	Sustainability
Systems that move people and goods through the country and overseas	Focused on power generation	Construction and maintenance of public or community facilities	Systems and technology that support exchanging information	Water, waste management, electric and heating systems to residential consumers, industries, and municipals	Development and exploitation of renewables, as well as explicitly impact-oriented and ESG-focused strategies
*****	*****	*****	*****	*****	*****
AIRPORTS	POWER	COURTHOUSES	TOWERS	CENTRALIZED INFRASTRUCTURE	SOLAR, WIND, & HYDRO
SEAPORTS	GENERATION	SCHOOLS	FIBER	STORAGE	GEOTHERMAL
ROADS	DISTRIBUTION	MUNICIPAL BUILDINGS	SPECTRUM	TRANSPORT	WASTE-TO-ENERGY
RAILS	PROCESSING		DATA CENTERS	DISTRIBUTION	BIOMASS
TERMINALS	TRANSPORTATION		SATELLITES	TREATMENT	POWER DISTRIBUTION
MASS TRANSIT	STORAGE				BATTERY STORAGE
					EFFICIENT UTILITIES
					LED LIGHTING

Source: Meketa Investment Group

This variety allows investors to diversify not only across sectors but also across risk profiles. For example, core infrastructure assets such as utilities may offer lower risk and lower returns, while value-add projects, such as the redevelopment of an aging airport, may carry higher potential returns but also greater complexity.

Inflation Buffer in a Changing Economic Environment

With inflation persisting as a key concern for investors, private infrastructure offers a natural hedge. Many infrastructure assets have revenues directly tied to inflation. For example, toll roads and regulated utilities often include contractual provisions that allow for periodic price adjustments based on inflation indices.

Additionally, infrastructure assets typically have long useful lives and are backed by physical assets, potentially providing inherent value protection. This characteristic is particularly appealing in an environment where inflation erodes the purchasing power of cash and fixed-income investments.

Challenges and Considerations

While private infrastructure may boast many advantages, it is not without potential challenges. These investments are typically illiquid, requiring investors to commit capital for long periods. This characteristic may not suit all investors, particularly those with shorter investment horizons or liquidity needs.

Additionally, the success of infrastructure projects often depends on strong governance and operational expertise. Investors must carefully evaluate the quality of the underlying assets, the experience of the management team, and the regulatory environment in which the assets operate.

Another consideration is the growing focus on sustainability. While renewable energy projects align well with environmental goals, some traditional infrastructure investments, such as fossil fuel pipelines, may face increased scrutiny from regulators and investors alike. Incorporating environmental, social, and governance (ESG) criteria into the

investment process is becoming an essential part of managing risk in this space.

Why “Boring” is a Good Thing

In a world where headlines are dominated by market turbulence and uncertainty, the potential reliability of private infrastructure is a refreshing counterpoint. The asset class potentially may offer a blend of stability, income, and diversification that can anchor portfolios in unpredictable times.

For investors seeking to navigate today’s complex market dynamics, private infrastructure may represent an opportunity to embrace the “boring” and benefit from its enduring appeal. Whether through transportation networks, renewable energy projects, or digital infrastructure, the historically steady drumbeat of infrastructure returns may provide

peace of mind—and long-term financial growth—in an era defined by change.

By leaning into the predictable nature of private infrastructure, investors can unlock its potential to deliver both resilience and value, proving that sometimes, boring truly is beautiful. ■

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Learn more at meketacapital.com and [LinkedIn](https://www.linkedin.com/company/meketa-capital).

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MEKETA
C A P I T A L

Managing Employee Conflicts of Interest is at the Core of Effective Compliance

By John Kearney

MCO (MY COMPLIANCE OFFICE)

Your employees are your most valuable asset.

The insight and value that an experienced advisor brings to a client to grow and manage their financial portfolio cements customer relationships and builds and sustains the firm's business.

At the same time, employees can represent one of the most significant risk factors for your organization. Advisors often have access to sensitive and privileged information, which, if misused, can lead to illegal activity or reputational damage. The intense competition for high-net-worth clients further amplifies the risks, potentially pushing employees to circumvent policies or regulatory standards to secure sales.

Given the risk of employees using their insider knowledge for malfeasance, comprehensive and systematic surveillance of personal trading is critical to maintaining compliance and managing employee conflicts of interest. Effective monitoring should be a full-circle process, starting with required disclosure and approval in advance of execution and ending with comparison against broker or statement data for verification that trading activity aligns exactly with preclearances.

There are other areas that firms must be paying attention to, including:

Gifts and Entertainment: When does taking a potential customer to lunch or accepting a gift from a long-term client turn into a conflict of interest? It's a perennial concern in an industry built on relationships and poses potential risk throughout the year—not just during the holidays.

Outside Activities: Leadership roles on corporate or non-profit boards can enhance your organization's visibility. Still, these roles also bring potential conflicts of interest, especially when employees gain access to privileged non-public information. Even seemingly innocuous activities, like a junior employee's weekend job, can raise concerns if clients are involved. Additionally, unapproved side dealings, such as "selling away" in private securities transactions, present significant conflict of interest risks.

Political Contributions and Donations: In today's politically charged climate, with donation levels at an all-time high, firms must be prepared for increased regulatory scrutiny on contributions made by both the organization and its employees. Given historical trends in regulatory enforcement, maintaining pay-to-play compliance should be an ongoing priority, not just an action item for election years.



Employee Relationships: Especially in this age of remote and hybrid work, employees' relationships outside of work pose substantial risk to the firm. Information shared through personal relationships can lead to conflicts of interest and undue influence. Putting a framework in place to define external connections and affiliations can help detect and mitigate potential opportunities for market manipulation and other areas of conduct risk.

Relying on fragmented systems to manage different aspects of employee compliance creates a disjointed and incomplete view of employee risk. A systematic and consistent approach is essential to building a comprehensive understanding of each employee's risk profile.

Equally important is the ability to consistently identify the firms an employee engages with whether through personal trading, gifts, outside business activities or external relationships. This insight is critical for flagging potential conflicts. A unified approach enables firms to detect these connections proactively, fostering a robust and effective compliance program that mitigates risk across all core areas. ■

John Kearney is Director of Employee Conflict of Interest Products at MCO (MyComplianceOffice).

Learn more at www.mycomplianceoffice.com and [LinkedIn](#).



Rethinking Client Cash Strategies for the Year Ahead

By Michael Halloran

MAX

Predicting interest rates with certainty is next to impossible. But most expect the Federal Open Market Committee will cut interest rates again in 2025. Yet there remain many questions, such as when, by how much, and how will policy changes impact the yield curve more broadly?

From my experience working in the financial services industry through multiple rate cycles, whether rates increase or decrease matters far less than the other considerations that advisors should be taking into account regarding the safekeeping of client cash.

Importance of Safety

Not all cash solutions are the same. Advisors would be wise to avoid the use of “cash accounts” and “program bank solutions,” which are markedly different than FDIC-insured bank accounts. These cash sweep products introduce fundamental [risks](#) to clients, including the insertion of an intermediary between your clients and their cash. Last year’s collapse of Synapse—which managed so-called omnibus accounts that were marketed as FDIC-insured—resulted in customers losing a [hundred million dollars of deposits that they mistakenly thought were safe](#).

We [warned about this risk more than a year ago](#), in the wake of the collapse of Silicon Valley Bank. But memories are short. It’s one of the reasons we believe it’s always important to read the fine print.

Many brokerage firms are being [actively investigated by the SEC](#), or have recently faced class action lawsuits over their practice of sweeping client cash into low-yielding products. As an advisor, it’s important to ask the right questions:

- Is my client’s cash held directly in their own FDIC-insured bank accounts, titled in their own names, or is there an omnibus account structure involved?
- Will my client have direct access to their funds at all times?
- Are there any intermediaries in the middle taking a scrape for themselves, or who might otherwise introduce a conflict of interest that could impact my relationship with my client?
- Is my client earning the highest yield possible?

Where Are Clients Holding Cash?

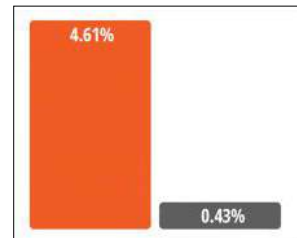
Cash in the brokerage account serves an important purpose—it’s there for trading, liquidity, and to pay quarterly

fees. But high-net-worth clients hold more than 22% of their financial net worth in cash, much of it outside of their brokerage account (see [chart](#)). That cash is likely sitting at a brick-and-mortar bank earning next to nothing, and might also not be fully insured.

Helping Clients Earn More

When it comes to cash, safety and liquidity are paramount. But once you’ve checked those boxes, you can also look out for the highest yield. As of December 2024, we see rates up to 4.61% on simple FDIC-insured bank accounts. While it’s hard to say what the high-yield savings rates might be in 2025, many economists have observed that the incoming administration is proposing policies that would be considered inflationary.

Given the 4% difference between the top rates available and what the U.S. savings bank average is today, no matter what rates do in 2025, it’s smart to do your homework to help your clients maximize their returns on their held-away cash.



A client with a million-dollar portfolio is likely holding six-figures in cash. They could earn tens of thousands of dollars more in interest once you help them see the importance of earning a competitive rate and the value of compound interest. By identifying held-away cash, you can also open the door to bringing in more assets under management.

Looking ahead to 2025, don’t neglect to have the “cash conversation” with your clients. By helping them earn more while keeping their cash safe and sound, they’ll thank you, no matter what happens to interest rates in the coming year. ■

Michael Halloran is Head of Business Development at Max, a solution for financial advisors.

Learn more at [MaxForAdvisors.com](#), [LinkedIn](#) and [X](#).



Protecting Your Clients from The Cancer of Casualness

By Mark Matson
MATSON MONEY

Managing client expectations, navigating compliance regulations, market performance, competing with DIY investing platforms and more has left many financial advisors stagnant or possibly concerned for the livelihood of their business.

There's a casualness that is looming, a possibility of the extinction of the financial advisory practice model, potentially encumbering the health of your clients' financial future. If left untreated, this cancer of casualness could be the death of your business.

Who You Are for Your Team

The cancer of casualness can show up inherently as a form of culture within a company. As the leader of an organization, you hold a unique opportunity to establish your company's culture. Your team will likely take on your level of intensity and intentionality which is why it is critical to be deliberate with your time, resources and strategic initiatives. Creating clarity early on and remaining committed to your purpose can empower your team to fulfill the mission, vision and values of your organization.

How You Show Up For Your Clients

There is no space for the cancer of casualness in your relationships with clients. In today's climate, stress and anxiety can threaten your clients' confidence in their investing strategy and they need a lifeline. A recent Ycharts study highlighted some common concerns and priorities for today's investors:

- "Portfolio performance" is now ranked as the most important factor, up from third from 2019.¹
- Since the pandemic, a quarter of investors considered changing advisors, and 21.8% actually did.¹
- Nearly half (47.1%) of clients expressed a desire for more frequent contact with their advisor.¹

Investing is a lifelong journey that requires discipline and fortitude, but the advisor-investor relationship often lacks the longevity to help clients reach their full potential. Your clients need to hear from you. They need to know you care about them, their family, retirement, purpose, and financial future. As a financial advisor, you have a unique opportunity to be a beacon of hope amid any storm.



Your Stand in the World

As an entrepreneur, it can be challenging to set your business needs aside even for a moment. However, it is equally important to be a leader in your community and show up as a multi-faceted person of excellence in areas outside of your business. As you live out your purpose and show up in your community, you can grow your centers of influence in impactful ways.

Action is a powerful means that can create results for your business. If you are unsure where you have been casual, look at where you want to be and see what opportunities you may have missed—inside and out of your organization in alignment with your purpose—and create urgency by taking action today. ■

Mark Matson is Founder and CEO of Matson Money.

Learn more at [MatsonMoney.com](https://matsonmoney.com), [LinkedIn](#), [Facebook](#) and [Instagram](#).

1. Ycharts. How Many Clients Switched Advisors Since 2020? Published 1/3/23. Retrieved 10/14/24.

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Diversifying Returns with Alternative Indexes

MASSMUTUAL ASCEND

With increased market and interest rate volatility, financial professionals face unique challenges in helping clients grow and protect their wealth. In low-rate environments, you can increase your competitive advantage by offering solutions that provide growth opportunities that are designed to provide strong returns while managing risk.

Fixed-indexed annuities (FIAs) can be an appealing alternative to bonds and CDs because they offer a balance between growth potential and downside protection that can help offload some of the investment risk in a client's portfolio.

Most FIAs are linked to well-known indexes, such as the S&P 500, which track broad market performance. While these indexes offer reliable exposure to equity markets, they may not always provide the best growth opportunities, especially during volatile or stagnant market periods.

Some FIAs offer the ability to link returns to alternative indexes beyond the conventional S&P 500. By exploring alternative indexes—whether they track global markets, diverse asset classes, or employ volatility-control mechanisms—you can open up new avenues for growth while managing risk more effectively.

A Comparison of Crediting Strategies

In addition to alternative indexes, crediting methods within FIAs can have an outsized impact on returns, particularly in volatile and low-rate environments. Annual point-to-point cap method determine how much interest is credited based on the performance of the selected index over a specific period, up to a cap. In a low-interest rate environment, these traditional methods can yield modest returns.

Upside participation rate strategies, on the other hand, allow your client to capture a percentage of all gains from the selected index when index performance is positive. In a low-interest rate environment, this method can be particularly appealing as it may offer a way to achieve higher returns compared to a conventional cap strategy.

When 7.25% is More Than 11.40%

Let's consider how a \$100,000 purchase payment would have grown over a ten-year period from September 1, 2013



through September 1, 2023 in a hypothetical fixed-indexed annuity that uses an S&P 500 Index 7% Cap strategy compared against an S&P 500 Risk Control 10% Index 65% Participation Rate strategy.

Over this ten-year period, the S&P 500 index had a higher average annual return overall at 11.40%, while the S&P 500 Risk Control index had a lower average annual return at 7.25%. But the 7% cap limited the average annual strategy return to 4.98%, whereas the upside participation rate captured more growth and had a higher average annual strategy return for the period at 5.86%. This could have resulted in \$13,394 more in account value at the end of the ten-year period.

As you continue to navigate evolving economic conditions and work to provide tailored solutions that support your clients' goals, considering alternative indexes and crediting methods can help you meet the demands of today's economic landscape while positioning your clients for long-term success. ■

[Learn more at massmutualascend.com](https://www.massmutualascend.com), [mascendconnect.com](https://www.massmutualascend.com/mascendconnect.com), [LinkedIn](#) and [Facebook](#).

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MassMutual Ascend

Multifamily Momentum To Carry Into 2025

By John Chang

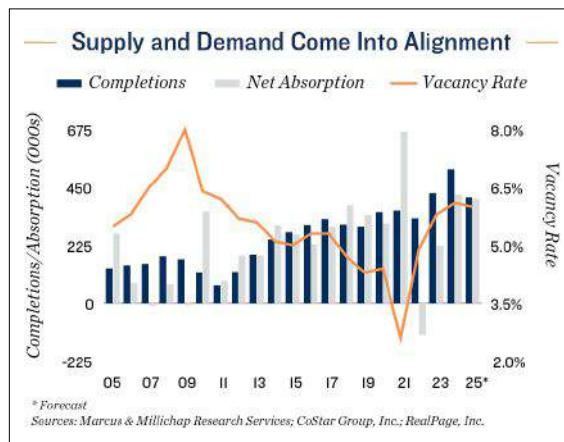
MARCUS & MILLICHAP

Multifamily housing supply and demand is reaching an inflection point. The historically large volume of over 500,000 units delivered in 2024 outpaced new renter demand, raising vacancy for a third-consecutive year. Even so, the number of apartments absorbed on net marked the second-highest tally since at least before 2000, as easing inflation and ongoing employment growth backed a rise in household formations. This momentum should carry into 2025, when the expanding renter pool will coincide with a moderation in apartment deliveries amid higher construction and borrowing costs. The drop back in openings compared with 2024's record will allow vacancy to decrease year over year for the first time since mid-2022 and help reduce the need for concessions, supporting faster rent growth. Property performance is poised to improve even more after 2025, as development tapers and persistently high homeownership barriers backstop renter demand.

Apartments play key role in the housing continuum.

Entering the final quarter of 2024, only about a quarter of households could qualify for a loan on a median priced home under Freddie Mac guidelines. Home prices across most major metros have reached a record high as many homeowners have chosen not to upgrade to a more expensive house in the elevated mortgage rate climate, limiting the move-up housing market, and crowding out first time homebuyers. With many anticipating sustained elevated mortgage rates this year, the migration of renters into homeownership in 2025 will be limited. This, in turn should support demand for apartments—especially on the higher-end of the quality scale. Meanwhile, a \$300-\$500 per month disparity between the average rents of the three apartment classes will restrain mobility between the current renter pools. The cost barriers should sustain rental demand this year, although potential new federal policies could alter the current prognostication.

New administration sways outlook. President Donald Trump is expected to pursue a range of economic policies in his second term that could shift recent trends. These objectives include reducing the corporate tax rate from 21% down to as low as 15% and extending the 2017 Tax Cuts and Jobs Act. While these changes could encourage corporate investment, Trump has also discussed a 60% tariff on Chinese imports and a 10% to 20% universal tariff on other trading partners. Moreover, immigration into the United States may slow as it



did during the first Trump term, potentially putting upward pressure on wages. If the final policies closely resemble these initial goals, the additional trading and labor costs could reignite inflation, which may weigh on household formation and apartment demand in the short term. Should Trump's policies lead to an increased deficit, long-term interest rates could also remain elevated, impacting investment activity.

Underlying property performance supports investment landscape. Improving operating fundamentals in 2025 are set to bolster multifamily transaction activity despite potentially elevated interest rates. The substantial pool of dry powder capital together with a broadening lender pool further reinforces this outlook, while higher cap rates signal buyers' and sellers' expectations are toward a closer alignment. The average cap rate for trades completed from October 2023 to September 2024 climbed to 5.9%—up 120 basis points from 2022's all-time low. Sales in secondary and primary metros may accelerate most as institutional-level activity reacts to improved operations, although more caution may be exercised in markets with greater natural disaster risk amid higher insurance costs. ■

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Get Comfortable with Wealth Transfer Advice

By Jennifer Hollers
LPL FINANCIAL

— 10TH ANNUAL —
2024 Wealth
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Finalist

With the Great Wealth Transfer underway, Baby Boomers are entering into a key stage of passing large amounts of assets down to their heirs. This shift in generational wealth is creating an increased demand for wealth transfer advice amongst high-net-worth (HNW) clients.

While more families are requesting guidance, many advisors find themselves needing more subject matter expertise in their practice. Often, financial professionals focus on already practiced knowledge and steer clear of subjects that are lesser known. The breadth of considerations for these clients can be wide ranging—involving anything from transferring assets during life or after death, to the tax implications of philanthropic giving. Whether these topics are avoided out of lack of capacity, knowledge gaps, limited desire or confidence, HNW families greatly need this guidance.

Although wealth transfer advice may seem intimidating (and the clients expect the utmost level of expertise), it's time for advisors to step outside their comfort zone.

The Great Wealth Transfer presents an opportunity for financial professionals to gain increased traction with HNW families and continue to grow their business—making inroads with other family members besides the primary account holder who perhaps they've worked with for decades.

Advisors should take the time to educate themselves on wealth transfer topics, consider expanding their team, and explore how their networks can support them with additional expertise on topics like estate planning, tax policy and impact, and legacy gifting.

To take full advantage of the Great Wealth Transfer, advisors should consider the following:

Study Up: You don't have to be an estate attorney or tax professional to deliver wealth transfer advice, but you should be comfortable enough to discuss these topics—even if it's at a high level. As more clients move toward the asset transfer phase, positioning yourself as a resource can set the foundation for working with the next generation. Gaining this knowledge and expanding your skillset is another opportunity to differentiate your business and set yourself up for growth in the years ahead.



Employ the Professionals:

Depending on your business, some clients may require in-depth guidance that goes beyond your level of expertise. For example, the uncertainty regarding the Tax Cut and Jobs Act (TCJA) expiration may leave HNW clients looking for additional input regarding their tax situation. In this case, it may make sense to employ a CPA or other profes-

sional at your firm to help ensure your team can address the full spectrum of questions and needs.

Leverage Your Network: If hiring additional team members isn't feasible, consider partnering with professionals outside your walls. Building relationships with outside experts is an opportunity to stockpile knowledge in areas outside of your comfort zone. I have the privilege of leading a large team of CPAs, tax and estate attorneys and tenured CFPs who are available internally for our advisors to leverage through our Business Solutions offerings at LPL Financial. I can't overstate the value of having a broad network to call on when questions arise that you are unfamiliar with.

Regardless of any uncertainty heading into 2025, the Great Wealth Transfer is underway. To accommodate this shift, advisors must be willing to push themselves and disrupt previous ways of thinking. Building wealth transfer expertise poses an opportunity for growth and business security well in the future by better positioning advisors to meet the evolving needs of HNW clients and their families. ■

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Modernizing Client Onboarding with Intelligent Automation for Effortless Transitions

By Joman Kwong
LASERFICHE

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In 2024, wealth management firms faced significant challenges posed by siloed systems within the wealth management industry, with an urgent need for system connectivity through strategic integrations. Fragmented data across platforms limits accessibility, slowing down critical business functions like client onboarding and impacting overall efficiency. According to the 2024 WealthStack Study, 57% of firms are investing in technology primarily to enhance operational processes and internal efficiency.

As wealth management firms face pressure to accelerate growth and streamline operational efficiency, client onboarding remains a core, yet challenging, component of their service model. This year, many firms grappled with limitations arising from siloed systems that hinder data access and slow processes. In 2025, the firms that focus on modernizing client onboarding with intelligent automation

can address these issues, enhance client and advisor satisfaction, and ultimately drive business growth.

The Onboarding Challenge: Complexity and Inefficiency

Client onboarding is often one of the most complex and time-intensive aspects of wealth management. Despite advancements in digital tools, the average onboarding process still takes around 22 days, as many firms continue to rely on manual and disconnected workflows. Clients increasingly expect a seamless, digitized, and personalized onboarding experience, yet the friction of outdated methods is evident, from extended processing times to data inaccuracies and repeated information requests. These challenges create bottlenecks, not only affecting client satisfaction but also taxing advisors, operational teams, and IT departments.



The Current Hurdles: Advisor, Operational, IT, and Client Pain Points

- 1. Advisor Challenges:** Advisors often juggle between systems in a “swivel chair” approach, leading to data inaccuracies and inefficiencies. Manual tasks related to data gathering and entry divert their focus from client engagement, while inefficient communication and repetitive information requests leave clients feeling overlooked. These issues contribute to a high rate of Not in Good Order (NIGO) applications, further slowing down the onboarding process.
- 2. Operational Team Hurdles:** Operational teams face significant inefficiencies due to non-integrated systems that slow data retrieval, manual compliance reviews, and extensive back-and-forth with advisors. In addition, errors in manual record retention processes pose compliance risks that can negatively impact client trust.
- 3. IT Priorities and Challenges:** IT departments are tasked with optimizing costs while meeting rising expectations for modernization. However, competing priorities make it difficult to focus resources on improving onboarding. Disparate systems and siloed data hinder effective communication across the organization, resulting in inefficiencies and missed opportunities for valuable data-driven insights.
- 4. Client Frustrations:** For clients, repetitive information requests and delays in onboarding create a frustrating experience. These obstacles also frustrate advisors and operational teams, impacting client loyalty and retention—critical areas for competitive advantage in a market where **73% of wealth management firms report greater difficulty** in winning and retaining clients compared to the previous year.

Key Technology Strategies to Streamline and Modernize Onboarding

Modernizing onboarding with intelligent automation not only addresses the challenges faced by clients, advisors, operational teams, and IT but also positions firms for enhanced growth and competitive strength. Key technology strategies that wealth management firms can leverage to streamline processes, elevate client and advisor experiences, and drive sustainable business growth include:

- 1. Intelligent Data Capture and Standardization:** Utilizing AI-driven data capture tools simplifies data entry, reduces errors, and enhances productivity. Standardized data mapping across systems ensures consistency and accuracy, enabling smoother, more efficient onboarding transitions.
- 2. Powerful Workflow Automation and Seamless System Integration:** Automation of workflows—from compliance reviews to document generation—can transform onboarding into a seamless process. Integrated systems allow real-time progress monitoring, establishing a single source of truth that connects with core platforms and multiple custodians. According to Celent, workflow automation in new account openings and digital channels is now one of the fastest-growing spending areas in wealth management.

As wealth management firms face pressure to accelerate growth and streamline operational efficiency, client onboarding remains a core, yet challenging, component of their service model.

- 3. Compliance Simplification with Digital Processes:** Automating compliance review and approval processes helps ensure robust adherence to SEC and FINRA regulations, creating reliable audit trails and centralized data retention. This digital-first approach reduces risk and builds client trust.
- 4. Empowering Teams with Low-Code/No-Code Solutions:** Implementing low-code or no-code platforms enables firms to respond swiftly to client and employee needs. These user-friendly solutions empower non-technical employees to embrace and adapt to changes, driving efficiency without requiring additional development resources.

As wealth management firms prepare for the future, investments in client-centric technology are imperative. The front and back office, containing the client- and advisor-facing distribution functions of a wealth management firm, is the **largest and fastest-growing domains for IT spending**. By simplifying and automating the onboarding process, firms can create a seamless, efficient experience that benefits clients, advisors, and operational teams alike. In a rapidly evolving landscape, intelligent automation is not just a modernization strategy—it's a driver of sustainable growth and a crucial response to rising client expectations and competitive pressures. ■

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2025 WealthTech Landscape: A Year of Clarity and Consolidation for Advisors

By Patric Glassell
KWANTI

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Looking ahead to 2025, financial advisors face a landscape shaped by regulatory changes, inflationary pressures, and the persistent challenge of selecting the right tools for their practice. This year may redefine the relationship between advisors and technology, as heightened expectations and market realities bring much-needed clarity to a crowded field.

The Fatigue of Overpromised Technology

Advisors have grown weary of the proliferation of wealthtech tools that promise transformative outcomes but fall short in execution. For many, the time and effort required to implement and then disentangle underperforming solutions have become untenable. This fatigue has driven a shift: advisors are no longer dazzled by promises of innovation—they are demanding proof of value, reliability, and simplicity.

This cycle of overpromising and underperforming has created “tech fatigue” among advisors, who are now more cautious and discerning in their adoption of new solutions. The days of being dazzled by innovation for its own sake are over. Advisors demand technology that simplifies their workflows, drives efficiency, and delivers tangible benefits for their clients.

2025: Raising the Bar for WealthTech

In 2025, this rising skepticism will translate into action. The year ahead is likely to bring a wave of consolidation in the wealthtech space. Advisors are increasingly setting a higher bar for the technology they adopt, and firms that fail to deliver on functionality, ease of use, and tangible outcomes risk obsolescence. Advisors want fewer, better tools—solutions that integrate seamlessly into their practices and help them achieve their business goals. This shift isn’t merely about culling the herd; it’s about elevating the standards for what advisors need to succeed.

Analytics as a Hedge Against Inflation

Inflation continues to challenge portfolio management strategies, emphasizing the need for precise, actionable insights. Advisors who can anticipate market shifts and adjust allocations effectively will better navigate this uncertainty. However, the value of analytics lies in their ability to simplify complexity. Advisors don’t need more data—they need actionable insights that help them protect and grow client wealth. In 2025, the firms that prioritize clarity over



complexity will stand out, providing advisors with the confidence to navigate challenging conditions.

The Role of Data in Balancing Tech and Touch

Amid the push for digital efficiency, advisors must remain deeply personal in their client interactions. Data is the key to achieving this balance. It enables personalization that goes beyond surface-level insights, allowing advisors to craft meaningful strategies tailored to individual client needs. This fusion of data-driven technology and human connection will define the future of advisory services.

A Moment for Recalibration

2025 offers advisors a chance to reassess their tech stacks and refocus on tools that genuinely improve their practice. It’s not about embracing the newest trend; it’s about identifying what truly supports their goals and strengthens their client relationships. For wealthtech providers, the message is equally clear: this is the year to step up or step aside. Advisors deserve solutions that meet their rising expectations, and only those prepared to deliver will remain part of the conversation. ■

Patric Glassell is Chief Growth Officer at Kwanti, a portfolio analytics solution aiding financial advisors and investment managers with prospect conversion, client acquisition and retention, model management, and much more by delivering portfolio analytics, investment performance data, stress testing, and proposals.

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kwanti

Building Resilience in Turbulent Markets with Real Estate

By Vincent DiSalvo

KINGBIRD INVESTMENT MANAGEMENT



In recent years, rising economic uncertainty and market volatility have placed considerable pressure on wealth managers to safeguard portfolios during an increasingly complex financial landscape. Unlike prior market fluctuations, today's conditions are layered with interlocking challenges: persistent interest rate fluctuations, inflationary pressures affecting both consumer and corporate sectors, and global tensions that ripple through markets in unexpected ways.

In response, wealth managers are tasked with creating portfolios that aren't just reactive to immediate market changes but are strategically built for resilience across economic cycles. This requires a balance between principal protection and risk-adjusted returns, echoing defensive strategies from the pandemic era but now refined to handle an even broader set of risks.

Volatility as a Risk Factor and the Role of Real Estate's Stability

Volatility itself is not synonymous with risk but is a primary driver of potential portfolio loss, particularly when reactions to market fluctuations are uncalculated. The CBOE Volatility Index (VIX), which is a real-time index that represents the market's expectations for the relative strength of near-term price changes of the S&P 500 Index (SPX), and other measures continue to reflect an unusually volatile environment, signaling increased chances of value loss in high-exposure assets like equities.

Real estate, particularly multifamily housing, has shown [greater resilience during recessionary periods](#) compared to equities. Its combined benefits—steady income akin to bonds and capital appreciation similar to equities—make it an ideal buffer against market fluctuations. Historical data shows that real estate assets typically experience lower volatility and more stable returns during economic downturns, with multifamily real estate being particularly resilient.

Real Estate Liquidity Premium

A fundamental reason behind the lack of volatility in private market real estate valuations is their relative illiquidity compared to equity markets. While the liquidity of public equity markets is unparalleled and valuable, it creates additional volatility risk as prices are more likely to fluctuate when transaction volume increases based on short term and

sometimes fickle investment information.

The time related barriers to entry and exit of real estate allow for the absorption of news to be priced into valuations. By allowing for news absorption before assets can be sold in a panic, real estate owners' reactions to volatility are generally tempered, which often prevents them from making panicked disposition decisions, which can cause principal loss. In this way, the market barriers to quick hard asset exits serve as circuit-breakers for panic-stricken owners.

Why Multifamily Real Estate Stands Out

Multifamily housing stands out among property types as it addresses the basic need for shelter, making it less susceptible to economic shifts that affect consumer behavior in other real estate sectors. The asset class benefits from high demand due to increasing rental rates, a chronic undersupply of workforce housing, and shifting demographics. Multifamily investments have historically recovered faster after economic downturns, maintaining high occupancy rates and strong rental income.

In volatile environments, long-term investment strategies can minimize the impact of short-term market disruptions. Multifamily real estate, given its lower volatility and steady returns, aligns well with this approach, offering wealth managers a sound vehicle for stabilizing portfolios over time.

With shifting global dynamics and increasing economic pressures, stabilizing portfolios has never been more crucial. Multifamily real estate offers a unique combination of durability, income generation, and inflation protection, making it a vital component for wealth managers seeking to balance risk and reward in today's uncertain environment. Wealth managers can leverage these insights to guide clients through market turbulence with confidence, prioritizing investments that provide steady, risk-adjusted returns. ■

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Why Succession Planning is More Important Than Ever

By Mark Schoenbeck
KESTRA FINANCIAL

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The wealth management industry is facing a demographic shift, making succession planning more urgent. Analysts project that in the coming years, a massive wave of U.S.-based financial advisors, managing trillions in client assets, will retire. The implications are vast, particularly for independent advisors who may not have the built-in infrastructure to handle transitions smoothly.

Here's why independent advisors must prioritize succession planning—for their clients and also for the sustainability of their own businesses.

1. Aging Workforce and the Talent Gap

A large number of financial advisors in the US should be planning their exits within the next 10 to 15 years. Unfortunately, fewer young professionals are stepping into these roles, creating a talent gap.

Without a solid succession plan, independent advisors may struggle to find qualified individuals to take over. This can lead to rushed, poorly executed transitions or worse, leaving clients without adequate support.

Instead, advisors should practice what they preach to their clients—leading with planning. By identifying and training a successor early, advisors can ensure that their clients' needs are met seamlessly, even after they step away from the business. This is something that takes time—and more than people expect! It's important to start now.

2. Ensuring Seamless Client Experiences

Advisors often sacrifice their own planning because they are too busy helping their clients. But by planning early, independent advisors can manage their exit on their own terms, protecting both their business value and their clients' financial futures. A well-executed succession plan allows the retiring advisor to exit with confidence, leaving their clients in capable hands.

3. Client Continuity and Trust

Clients rely on their financial advisors not just for wealth



management, but for long-term guidance through various life stages. The thought of losing an advisor without a clear transition plan can be unsettling for clients, particularly those with complex financial situations or those nearing retirement themselves. Further, clients may be too nice to ask, but they are also

wondering what happens to them if something happens to their advisor. Succession planning is a way for independent advisors to reassure their clients that they will be cared for, no matter what happens.

4. Maximizing the Value of Your Business

For many independent advisors, their business represents a lifetime of hard. It's not just a job—it's their legacy. However, when an advisor retires without a clear plan in place, the value of their business can plummet. Clients may leave, and potential buyers or successors may not see the same value in a business that lacks an orderly transition. By planning for succession, independent advisors can maximize the value of their business.

No Longer a Nice to Have

Succession planning is no longer an option for independent advisors, it's a necessity. With an aging workforce and fewer young professionals entering the industry, the time to plan for the future is now. Independent advisors who take proactive steps today will be better equipped to handle tomorrow's challenges, ensuring their clients—and their firms—are in good hands for years to come. ■

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Why Leading with Planning Promotes Long-Term Success

By John Amore
KESTRA FINANCIAL

In today's evolving wealth management landscape, financial advisors can no longer rely solely on investment management to define their value. Leading with financial planning is becoming the most responsible, ethical, and effective way to serve clients at every stage of life. By shifting focus to comprehensive financial planning, advisors not only meet growing client demands but also ensure long-term success for their own businesses—namely as financial planning goes beyond a one-time consultation or an annual review.

Instead, planning involves actively guiding clients through life's financial milestones like planning for a new home, managing debt, or preparing for retirement. And that's what today's clients are looking for. They seek ongoing, holistic financial advice that adapts to their changing life circumstances. Whether it's tax planning, retirement readiness, debt management, or legacy planning, clients need continuous, proactive support.

Following are several examples to illustrate why leading with a comprehensive financial plan provides far more value for both advisors and clients.

Why Advisors Should Lead with Planning

- 1. Attracting Younger Generations:** As younger generations (Gen X, millennials, and Gen Z) become a larger portion of the client base, the demand for financial planning is increasing. These clients are looking for a more interactive and ongoing relationship with their advisors, not just investment advice. Leading with financial planning positions advisors to engage with these clients more deeply and provide personalized advice that helps them meet both short- and long-term financial goals.
- 2. Building Sustainable Client Relationships:** Financial planning fosters long-term relationships. Advisors who lead with planning create consistent, proactive touchpoints with clients, which helps to maintain strong relationships over time. Subscription-based models, for example, allow for regular meetings, offering clients the peace of mind that their financial strategy is continually evolving with their needs. This sustained engagement builds trust and loyalty, ensuring that clients remain with their advisor through life's changes.
- 3. Differentiating Your Practice:** With so many financial firms and advisors offering similar services, financial



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planning can help differentiate an advisor's practice. It shows clients that their advisor is focused on their complete financial well-being, not just their portfolio. By leading with planning, advisors position themselves as trusted partners in clients' financial journeys, rather than just someone who handles investments.

How to Implement Financial Planning

Advisors should develop a structured approach to financial planning. Start by identifying clients who would benefit from a comprehensive, ongoing plan. Set clear expectations for the engagement and map out a seasonal planning calendar to keep clients on track with timely goals (tax planning, retirement readiness, debt reduction, etc.).

For example, clients may need quarterly reviews of their financial situation to address changes in tax law, retirement plan updates, or other evolving financial needs. This consistent engagement builds a more dynamic relationship, ensuring clients see the ongoing value of their advisory services.

The Business Benefits of Leading with Planning

Advisors who lead with financial planning, and charge a distinct financial planning fee, also create more sustainable businesses. By offering continuous, fee-based financial advice, advisors build a predictable revenue stream, rather than relying solely on AUM fees or commissions. This can increase client retention and create new opportunities for growth, especially as younger clients demand more frequent and holistic engagement.

Additionally, financial planning helps future-proof an advisor's practice by fostering deeper relationships with clients and attracting younger generations of investors. As the industry continues to shift, advisors who lead with planning will be better positioned to stay relevant and continue to grow. ■

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2025 Highlights the Necessity of Risk Management

By Tom Connaghan

KAYNE ANDERSON RUDNICK

Coming off what is trending to be one of the top ten best years for S&P 500 performance in history, 2025 prompts advisors and their clientele to focus on risk management, portfolio positioning, and tax planning. While previous years have rewarded owning concentrated large-cap technology companies, their dominance has begun to ease since summer. In spite of this, investor sentiment and industry forecasts continue to reflect a willingness to pursue these dominating businesses and the resulting increasingly aggressive portfolio allocations. The uncertainty of President Trump's return to office marks a time to engage in meaningful conversations

with clients to review that their investment portfolios are aligned with their short- and long-term financial plans. In our discussions with clients, key topics include utilizing tax-efficient financial planning strategies to preserve earnings, attempting to capitalize on market opportunities related to smaller market cap equities and alternative investments that stand to benefit from these evolving market conditions.

The markets have come a long way since 2022 which was one of the worst years for S&P 500 performance in history. While two years may feel like a long time ago, the run up in technology companies has left some investors conflicted



about hedging risk in their appreciated stock positions or continuing to let their winners run. While we view the economic picture to be relatively balanced between opportunities and risks, we do think valuations could be a risk if lofty investor expectations are not met. Aside from emotional attachment to strong performing companies, investors can be reluctant to trigger unnecessary and untimely capital gains. By reviewing the evolving goals of the estates we serve, our financial planning efforts strive to limit tax liabilities through tax loss harvesting strategies, structuring estate plans with different types of trusts to pass assets onto beneficiaries earlier in life, and funding charitable legacy interests. Investors may not realize the significance that tax planning has on their total net worth.

Whether or not the market continues to broaden to other sectors, we remain vigilant of owning high-quality companies that in our perspective have resilient earnings, strong balance sheets, and sustainable competitive advantages no matter their market capitalization. From our perspective, the outlook for domestic small caps in 2025 appears favorable, as earnings growth should be easier to achieve off a lower base, all else being equal, and small cap valuations are below average. Additionally, the excitement surrounding artificial intelligence and disruptive technologies provides an opportunity to potentially capture larger upside returns from companies that are in the earlier stages of becoming the next generation of leaders.

With the help of experienced advisors, a focus on risk management can also offer clients unique strategies, including certain alternative investments where appropriate for the client's specific investment goals and risk tolerances, that they may otherwise not have access to as individuals. In our view, customized portfolios that offer targeted outcomes, diverse income streams and exposure to certain private companies and infrastructure can offer risk and reward

While we view the economic picture to be relatively balanced between opportunities and risks, we do think valuations could be a risk if lofty investor expectations are not met.

...the excitement surrounding artificial intelligence and disruptive technologies provides an opportunity to potentially capture larger upside returns from companies that are in the earlier stages of becoming the next generation of leaders.

scenarios that can aid in diversifying portfolios beyond publicly traded equity markets.

Heading into the next 12 months, we continue to seek to exceed client expectations by aligning their risk tolerance with customized investment portfolios that we believe are tax efficient, as necessary. As we invest in new technologies both within our firm and in our investment portfolios, we endeavor to remain resilient to any incoming changes within the 2025 market landscape. ■

Tom Connaghan is Senior Wealth Advisor at Kayne Anderson Rudnick.

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Positioning for Late-Cycle Opportunities

By Adam Hetts

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Investors are navigating geopolitical change across regions and adjusting to interest rates that we believe will remain higher compared to most of the last decade. The global economy is somewhat late in the cycle, warranting caution, yet the data continue to defy expectations, and growth is steady.

What does this mean for investors? At the highest level, the combination of rate cuts and other potential accommodative policy in the U.S. and stimulus in China should lend support to the global economy. Still, there are forces at play that make it imperative to apply caution when adding risk.

Broadly speaking, markets have been quick to price in the cycle's extension, leaving valuations vulnerable to downgrades if risks increase. Major economies outside the U.S. struggle to find their footing with a mix of hot and cold data across Europe and Asia. In the U.S., the benefits of rate cuts and a resilient economy are countered by an uneven labor market, the threat of higher long-term rates, and the policy uncertainty that comes with a new administration.

The market must also interpret rate cut expectations in the context of a strong earnings outlook. This cycle is unique given that rate cuts are expected to occur in a still-resilient economy, as evidenced by ambitious earnings estimates into 2025.

Within equities, a broadening of U.S. market performance beyond the Magnificent Seven (Mag 7) may improve the return prospects of innovators outside of technology, and the sanguine economic environment and falling financing costs put small- and mid-cap stocks in a particularly favorable light.

Outside of the U.S., lower premiums and upside potential warrant a second look. China's policy support will need to continue if it is to meet the magnitude of the country's economic challenges. This, in turn, could support select European companies that export to China. Other areas of interest include India, where reforms are helping create a high-growth backdrop, and Japan, where supportive corporate governance reforms are being enacted.

Within fixed income, diverging policy in major economies represents an opportunity to reinvest cash, capture excess yield, and diversify returns across geographies. While

Change in EPS estimates for the 12-month period following the first rate cut



the 10-year U.S. Treasury yield may see upward pressure from economic strength and potential policy impacts, yields on shorter-dated notes could still fall, although perhaps not as far as in Europe, as policymakers there have more work to do. Historically tight corporate spreads suggest securitized sectors and quality high-yield corporates may be better ways to add risk. Given the stage of the cycle, diversification and quality should be prioritized.

While declining inflation may have diminished the need for real assets, inflation may return, and some categories could also benefit from lower rates and serve as a diversifier during a period of heightened geopolitical risk. Private assets within credit, equity, and infrastructure offer potential.

As the calendar turns, we think investors can benefit from the combination of a broader opportunity set and careful risk taking. Explore our [Market GPS Investment Outlook 2025](#) to position your portfolio for the trends and opportunities ahead. ■

Adam Hetts is Global Head of Multi-Asset at Janus Henderson.

[Learn more at www.janushenderson.com.](http://www.janushenderson.com)

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**Janus
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—INVESTORS—

After the Landing

By Kristina Hooper

INVESCO

Many of the world's central banks, having largely succeeded in curbing inflation, are now easing monetary policies with the aim of stimulating growth. In 2025, we anticipate signs of economic deceleration to be counteracted by the supportive impact of the global rate-cutting cycle—in other words, we think we are seeing a soft landing. We expect growth to continue to slow in the near term, followed by a reacceleration through 2025, which should foster a favorable environment for risk assets globally.

In the U.S., we see the economy decelerating towards potential growth rates before reaccelerating later in the year, supported by a resilient labor market and easing financial conditions. The eurozone and the UK experienced very slow growth or recession in the last year, but we expect growth there to gradually pick up momentum through 2025, aided by central bank rate cuts and moderate real wage growth. Meanwhile, Japan's recent wage growth and policy adjustments position it as a potential bright spot, though the

yen is likely to strengthen and impact Japan's export-heavy market. In China, we expect the recent policy pivot to support domestic growth and provide a floor to market sentiment. However, we think the reflationary impact on the rest of the region could be limited.

Emerging markets (EM) should benefit from the rate-cutting cycle in developed markets (DM), a somewhat softer US dollar, and a global growth uptick. Specific stories, such as India's growth boom, suggest areas of outperformance, while China's policy stimulus could enhance growth prospects.

Overall, we expect a conducive environment for risk assets, particularly in non-U.S. developed markets, small capitalization stocks, and value sectors in the U.S., with European assets likely to outperform the U.S. due to favorable valuations and cyclical sector weightings.

Macro Views

1

A smooth landing: Growth steady, inflation near target

- Inflation has cooled substantially and is now close to target in most developing markets.
- Market attention has shifted to growth and potential downside risks.
- Our base case is that there is no significant growth downturn in any major economy in 2025.

2

Central banks are easing

- Rates are generally restrictive across major economies but easing.
- Federal Reserve (Fed) likely to achieve neutral policy by the end of 2025, but improvement in growth outlook may delay cuts.
- European central banks are easing with growth on relatively weaker footing versus the US.

3

After the landing: Growth decelerating now, but at trend in 2025

- US slows to potential, then reaccelerates through 2025.
- European growth to improve to slightly outperform consensus forecasts.

Market Views

Fixed income

Duration to perform well as rate cuts feed a bull steepening. Current yields look attractive, but spreads are unlikely to tighten much further, given current valuations.

US dollar / Currencies

USD has been expensive for some time, though the growth differential between the US and other major economies still favors USD, likely limiting the downside of the dollar. Interest rate differentials are likely to influence further movements.

Emerging markets (EM)

EM assets should perform well in 2025, driven by the rate-cutting cycle in most developed markets and a pick up in global growth. In China, upside risk centers on confidence in recent policy stimulus.

Note: There can be no assurance that market views will come to pass.

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1

Risks

The path ahead could shift under different assumptions. We consider some of these below:

Upside Scenario:

Growth goldlocks across regions

- Greater growth participation and reacceleration would likely boost risk appetite.

Downside Scenario:

Policy mistake: Growth undershoots

- Growth could tack down on delayed effects of tight policy environment.

Other potential swing factors...

- 1 Trade and geopolitics may shift following Trump victory
- 2 China policy stimulus could help reinvigorate growth
- 3 A return of inflation could shift the central bank outlook
- 4 Fiscal pressures may alter government spending trends

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1

on real estate is substantial. From a capital markets perspective, declining policy rates provide scope for lower real estate debt costs and restoration of a positive spread between cap rates and debt costs. This restoration should expand the availability of positive leverage, which in turn should reinvigorate transaction activity and push property prices higher. From a fundamentals perspective, the reduction of

Our Asset Allocation Views

Equities: Lower rates should encourage a rotation within U.S. stock market leadership

The same economic backdrop that results in a steepening of the yield curve (rate cuts, resilient growth, and stable inflation) may also provide a tailwind for value-oriented and smaller-cap stocks. Lower rates should reduce the interest burden faced by companies heavily financed with floating rate debt or that have nearerterm refinancing needs. As growth strengthens in the U.S., this should result in potentially higher revenue growth, particularly for smaller-cap companies, where sales have been flat in recent years. Improving revenues coupled with lower interest rates and expenses should result in greater earnings growth for value and smallcap companies in 2025.

Fixed Income: Positive macro backdrop creates attractive opportunities despite tight spreads

Central bank moves to end their restrictive policy stances support a positive market outlook. The difficulty for investors is tight valuations. Most credit spreads are tight in historical terms, limiting the upside for returns, in our view. The current positive macro backdrop should reward investment in these sectors even if the upside is limited by valuations, but we are cautious about stretching too far for yield. We favor being somewhat overweight risk while leaving room to add exposure upon any market corrections.

Real Estate: Timings vary by region, but we are seeing the turning point in real estate values

The Fed's September policy rate cut of 50 basis points marked a positive inflection point for private real estate investor sentiment. While a cut was anticipated, the impact

policy rates provides scope for reduced capital costs for commercial and residential real estate tenants. Once lower interest rates have time to be metabolized into the broader economy, we expect tenant demand to increase.

Commodities and Currencies: Industrial metals, JPY and GBP should benefit from the economic cycle and Fed moves

In commodities, we favor industrial metals given their sensitivity to the economic cycle. For currencies, we anticipate the U.S. dollar will begin to weaken in 2025 against some currencies as the Fed continues to cut rates, and we would favor currencies such as the Japanese yen and the British pound.

Please click [here](#) to see our complete 2025 Investment Outlook, including our detailed base case, alternative scenarios, favorite asset allocation picks and our 2025 Global Policy Outlook. ■

Kristina Hooper is Chief Global Market Strategist at Invesco.

[Learn more at www.invesco.com.](http://www.invesco.com)



2025 M&A Playbook: Too Early or Too Late?

By Matt Beecher

INTERVAL

As the year ends, wealth advisors are crucial in guiding small and medium-sized business (SMB) owners through a changing market. Fluctuating interest rates, potential tax law changes, and political uncertainty create an environment where mergers and acquisitions (M&A) could thrive. Leveraging the right technology can help business owners maximize their sale, and advisors can guide them through this critical decision.

Why a Rate Drop Could Mean Less, Not More

The Federal Reserve has held interest rates steady after substantial hikes in 2022 and 2023. While inflation is easing, some analysts predict rates may decline in early 2025. While this might seem like a reason for SMB owners to wait for better conditions, delaying a sale could result in missed opportunities.

Lower rates may make financing acquisitions more affordable, increasing buyer demand. However, this surge may not last. Market conditions could shift, and future uncertainties—especially around tax policies—could create a tougher environment for sellers. Business owners who act now may benefit from today's favorable conditions, while those who wait could face more challenges.

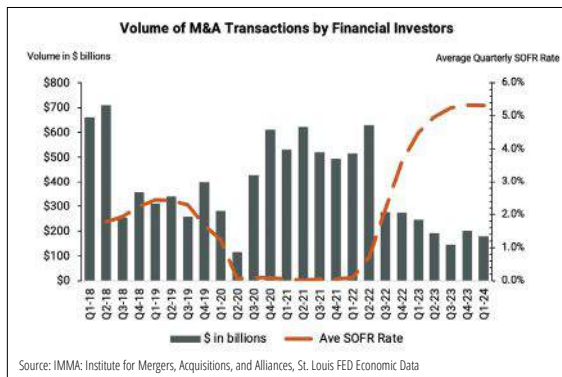
Political Uncertainty: The Tax Factor

With a new administration, it's important to remember that campaign promises don't always lead to immediate legislation. Discussions around potential tax changes—particularly on capital gains and corporate tax rates—are ongoing, but the outcome is still uncertain. This adds complexity for SMB owners considering a sale.

Wealth advisors should help their clients stay flexible, as new tax policies may take longer to implement or differ from what was initially proposed. Selling now under current tax policies might secure more favorable outcomes than waiting for rate cuts but facing higher taxes. Advisors must monitor how closely proposed reforms align with final legislation and adjust strategies accordingly.

Technology: A Key to a High-Value Sale

Technology is essential for advisors guiding SMB clients through the M&A process. It can streamline the sale and help maximize the business's value.



Valuation Tools and Analytics: Many SMB owners may not fully understand their business's true value, which can weaken their negotiating position. Advisors can use AI-driven valuation tools to provide real-time, data-backed assessments, helping owners better understand their market value and identify areas for improvement before going to market.

Scenario Planning and Forecasting: In uncertain times, scenario planning becomes vital. Technology allows advisors to model exit strategies—whether through a third-party sale, management buyout, or family succession—giving clients a clearer view of potential outcomes. These tools also assist with post-sale planning, helping clients forecast tax impacts and investment strategies.

Streamlining the M&A Process: Selling a business is complex, but digital platforms can simplify the process by centralizing documentation, automating due diligence, and improving communication with buyers. This reduces the administrative burden and allows advisors to focus on optimizing deal terms.

The Takeaway: Act Now—Or Potentially Miss Out

For many SMB owners, the combination of current interest rates, potential tax changes, and strong buyer demand creates a unique window of opportunity. However, this window may not stay open for long. If rates drop in 2025, the market may see a brief surge in demand. But waiting could lead to higher taxes and increased competition.

Wealth advisors should act strategically, leveraging technology and accurate valuations to help clients navigate this shifting landscape. In M&A, timing is everything. Acting too early may ultimately be less risky than waiting too long. ■

Matt Beecher is Chief Revenue Officer at interVal.

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interVal

Resolved: Finding a Custodian that Serves Your Business Model

By Steve Sanders

INTERACTIVE BROKERS

The start of a new year is an excellent time for RIAs to assess whether their existing custodial arrangements still make sense, or if a change tops this year's list of resolutions.

Here are a few factors for advisors to consider when evaluating different custodial technology, service and pricing options.

Modern Technology

Integrated and automated platforms help advisors lower operational costs, devote more time to clients and boost firm revenue. A recent [Interactive Brokers survey of independent advisors](#) found that 79% believe more automated operations would free up time for fostering client relationships.

Custodians that offer agile technology give RIAs the upper hand for winning more business. Those that offer their technology for free help advisors keep overhead costs low.

Best-in-class Pricing and Fees

Understanding custodians' fee structure is crucial: are fees based on assets under custody, trading activity, usage of proprietary products or something else? Many custodians offer complimentary services to their best (read: largest or most profitable) clients. Firms that don't meet certain thresholds may find some resources off-limits or come at an additional cost.

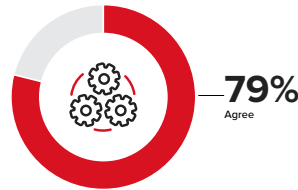
Pricing structures vary, so RIAs should compare the fine print at multiple custodians based on how the firm operates today and its projected growth to see how the costs net out. Ticket charges, custodial fees, minimums, and tech-related fees should all be examined—some custodians offer these at no additional charge to the advisor.

Pay for what you need and use—and verify there are no extra charges for services you thought were part of the original agreement.

Internal Conflicts

Custodians with fund management businesses may charge lower trading fees—or none—on their own products. While a supermarket of similar investments may be available, if the best pricing only applies to the custodian's "house-brand," it's

Agree/Disagree
Increased automation in my operations allows me more time for client relationship building.



Interactive Brokers 2024 Advisor Insights Survey (n=402)

not impartial access which may not be in clients' best interests.

In addition, most major custodians have in-house teams of financial advisor employees working with individual investors. Advisors who prefer that their custodian does not compete with them for new business

would do well to seek out ones that don't have these conflicts.

Flexibility for Your Business

Some advisors are surprised to discover that their custodian has a say in their investment strategy.

For example, some custodians make it extremely difficult—impossible, even—to trade international equities. This won't do for RIAs with offshore clients. They need a platform that makes cross-border trading and transacting easy, cost-effective and seamless.

To solve for the inflexibility in some platforms, many advisors use multiple custodians: 64% use at least two and 34% use at least three, according to our research. This gives RIAs more choice when it comes to investment product access, running their business and meeting client needs.

Conclusion

Custodians are integral to RIA operations, but they shouldn't steer the business. By evaluating custodians based on technology, access, pricing and flexibility, advisors can align with a partner that can help achieve their strategic objectives and enhance client satisfaction. As the new year gets underway, RIAs should resolve to evaluate their options and solidify a custodial relationship that meets their needs today and supports future growth. ■

Steve Sanders is the EVP of Marketing & Product Development for Interactive Brokers, which has been serving RIAs for more than 20 years with its turnkey custody solution and industry-leading Advisor Portal and PortfolioAnalyst® portfolio management tool.

Learn more at www.interactivebrokers.com.



— 10TH ANNUAL —
2024^{WEALTH}
Management.com
Industry Awards
Finalist

Unleashing the Power of Your Company's Technology Stack: A Strategic Guide

By Nick Eatock
INTELLIFLO



—10TH ANNUAL—
2024 Wealth
Management.com
Industry Awards
Winner

RIAs face increasing pressure due to uncertain economic conditions, rising investor expectations, and the need to grow with limited resources. As a result, their technology decisions have become more critical. Many are now considering the trade-offs between an all-in-one approach and selecting best-in-breed solutions. While the all-in-one approach has been popular for years, the trend is shifting. Even major technology providers have begun to separate previously bundled solutions.

All-in-one vs. Best-of-breed: Which is Best?

While all-in-one solutions offer a comprehensive approach that can simplify operations and be cost effective, they often lack the depth or robust functionality firms need to meet their unique requirements. Also, because it's trying to cover all bases, an all-in-one solution is more likely to offer mediocrity across the board rather than excellence in any one area.

On the other side of the coin, a best-of-breed approach also presents challenges. While best-of-breed can offer leading functionality, deeper customization and stronger innovation, integrating multiple systems and data flows can lead to friction and be resource intensive. Plus, managing a diverse tech stack from multiple vendors can lead to workflow, training and vendor management complexities, as well as client experience inconsistencies.

Exploring the Hybrid Approach: A Balanced Solution

The good news is, it doesn't have to be strictly one option or the other. RIAs are increasingly adopting a hybrid approach that combines the beneficial elements of best-of-breed and all-in-one solutions. Integrating best-of-breed tools into a core all-in-one platform delivers flexibility and specialization while maintaining the operational simplicity of an integrated system.

If done right, this approach frees up RIA time from administrative tasks such as data entry and gathering materials and, instead, allows them to focus on more strategic priorities like client relationships and firm growth. For example, a hybrid option will enable RIAs to leverage the specialized functionality of best-of-breed tools for mission-critical operations like rebalancing, trading and order management while relying on an all-in-one platform for less critical tasks such

as CRM and billing. There is both flexibility and efficiency in such a balance. Plus, as firms grow organically or from M&A, a hybrid approach provides the scalability to integrate additional best-of-breed solutions without the headache, time and cost of overhauling the whole technology stack.

The Importance of Seamless Integration

Of course, this is all easier said than done. Decisions around technology adoption and integration directly and profoundly impact efficiencies, the client experience and long-term growth. Regardless of which path an RIA chooses, the importance of effective integration cannot be overstated. A well-integrated tech stack enables efficiencies, reduces the risk of data siloes and ensures that advisors can access relevant information, which is critical for both the client experience and business performance. For example, portfolio rebalancing and trading should fit within the technology ecosystem and seamlessly integrate with portfolio accounting, CRM and other platforms to drive efficient team communications.

Making the Right Tech Decisions = Long-term Success

Deciding between best-of-breed and all-in-one solutions is not a one-size-fits-all situation. RIAs must fully understand the nuances of their specific needs, strategic goals and available resources. By thoroughly evaluating each approach's the trade-offs and potential benefits—and exploring the potential of a hybrid model—RIAs can make better technology decisions that directly support their long-term success. Those that find ways to leverage the strengths of both best-of-breed and all-in-one solutions will be well-positioned to deliver strong client experiences and drive growth. ■

Nick Eatock is the CEO of [intelliflo](https://www.intelliflo.com). intelliflo widens access to financial advice through leading technology which powers the financial advisory experience.

Learn more at www.intelliflo.com and [LinkedIn](https://www.linkedin.com/company/intelliflo).

intelliflo



Category: Technology Providers Rebalancing

Winning Initiative

intelliflo redblack Transformative Rebalancing and Trading Capabilities

Initiative Description

intelliflo's rebalancing and trading solution, intelliflo redblack, is an award-winning platform that offers comprehensive rebalancing and trading capabilities, including portfolio monitoring, pre-trade and post-trade compliance and order management, all within a single multi-custodial solution. intelliflo recently launched new capabilities that enable advisors to respond more quickly and efficiently to market movements and direct trades across thousands of portfolios resulting in better after-tax performance for advisors' customers.

intelliflo redblack is used by over 25% of the top 50 largest RIAs in the U.S. by AUM. With over \$700 billion in assets on the platform, intelliflo redblack is the rebalancing and trading solution of choice, making institutional-style trading capabilities available to the broader market. It's one of the only standalone rebalancing and trading solutions available for purchase.

Over 100 enhancements were made last year, but a few highlights include:

- Complete overhaul of the order management system (OMS), allowing advisors to better execute for clients in a volatile market.
- Advanced tax management capabilities, helping reduce the tax burden for customers.
- Cash and wash sale management options, reducing risk of avoidable taxes for HNW and estate planning customers.
- New wash sale detection capability that allows for the linking of accounts, including separately managed accounts (SMAs) across family members to alert for potential wash sales before they occur.

intelliflo redblack's new OMS empowers advisors to quickly manage a large book of business across multiple brokers. It performs at scale, proven to complete up to 150,000 orders including individual, blocks and allocations in under 20-minutes. This brings institutional-type trading capabilities to advisors of all sizes.

Recent tax management enhancements allow advisors to set up tiered substitutions to avoid wash sales when tax loss harvesting, establishing rules at the firm or advisor level. This eliminates end of year harvesting scramble, saves time, and reduces risk by establishing rules and investment strategies in advance.

Cash management enhancements allow advisors to better manage cash across a household and automatically raise, invest and handle margins in portfolios. This allows advisors to optimize performance and liquidity for customers.

intelliflo redblack continues to dominate the rebalancing and trading market because we listen to customers and then act. Putting customers at the center of innovation ensures that the platform remains intuitive and aligned with advisory needs. Our new enhancements have elevated rebalancing and trading, allowing advisors to streamline processes and optimize client outcomes.

With intelliflo redblack's sophisticated technology and configuration, advisors of all sizes (from advisors with \$50M to over \$130B AUM managed on the platform) are saving time and improving efficiencies, enabling increased profitability and improved client service.

Company Profile

intelliflo widens access to financial advice through leading open architecture technology that powers the financial advisory experience. While it operates independently from Invesco, intelliflo benefits from Invesco's strengths. By unifying Invesco's digital advisory solutions under the global intelliflo brand, the company is committed to supporting the entire advisory lifecycle.

intelliflo

Prime Time for Real Estate: A Strategic Opportunity

By Phil McAlister

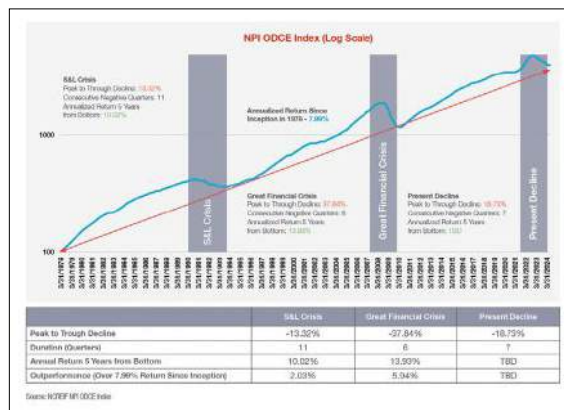
INLAND PRIVATE CAPITAL CORPORATION

Due to a pullback in valuations and expected strong fundamentals going forward, 2025 may present an interesting opportunity to acquire high quality commercial real estate (CRE) assets at an exciting entry point. As we look to 2025, key emerging themes include:

1. Macroeconomic conditions are consistent with long-term views of slow growth and disinflation. Risk of recession exists given the soft economy, but a soft landing is still within view.
2. The probability for interest rates across the yield curve should skew lower given the macro backdrop.
3. CRE returns are down approximately 19% from the peak, providing a compelling entry point into high quality assets with good long-term fundamentals.
4. Several quarters have seen construction starts fall off significantly across CRE sectors. 2025 is expected to see a good amount of the pandemic-era construction boom absorbed, setting up 2026 and beyond for strong operating fundamentals.
5. Debt maturities and distressed owners may need to sell in 2025.

With the Bureau of Labor Statistics (BLS) estimating employment growth at 0.4% annually through 2033, compared to 1.3% growth from 2013 to 2023, the coming years are anticipated to see real GDP growth weaker than the historical norm. This decline is driven by demographics—the aging population and declining birthrate will not generate many new workers, while the debt burden increasing scope of the public sector will have a chilling effect on productivity growth. 2025 will likely fit that mold, with real GDP growth in the 1.25% to 1.75% range with tepid inflation.

The U.S., Eurozone and Japan show highly indebted economies with aging populations and slow GDP growth tend to see disinflation and low interest rates. While this makes for a less dynamic economy overall, CRE tends to do well in such environments, as lower financing costs drive higher potential leveraged returns. The NCREIF NPI-ODCE index has only seen three periods of



declines lasting two quarters or more since inception in 1978: the S&L Crisis of the 90's, the Great Financial Crisis of 2008-2009 and the present pullback. Both prior pullbacks provided solid CRE entry points, where returns outperformed the long-term average coming out of the distressed period. While we do not yet have confirmation the present decline has ended, its duration and magnitude, combined with the outlook for lower interest rates reduced new supply, and continued solid demand for CRE suggests 2025 may provide a similarly exciting entry point.

2025 may offer opportunities due to debt maturities and distressed equity owners. Many deals were purchased at elevated valuations in 2020 and 2021, driven primarily by the extremely low interest rates available. The success of these deals was predicated on the cost of capital remaining low and outsized rent growth continuing. With today's elevated rates and rent growth not meeting expectations, the ability to refinance these assets may be limited, forcing a sale when debt matures. Many of these assets, however, are extremely well located and well built. The distress typically is a result of capital markets and not fundamental weakness in the assets' ability to generate strong cash flow.

CRE buyers with strong balance sheets should see an opportunity to acquire these types of assets that may struggle in the short term but are excellent long-term opportunities. Thus, we see a strong probability of 2025 and 2026 vintage assets performing well over the full investment cycle. ■

Phil McAlister is SVP and Head of Research for Inland Private Capital Corporation.

Learn more at www.inlandprivatecapital.com.

Content Creation in the Age of GenAI

By Marie Swift

IMPACT COMMUNICATIONS

The financial services industry is on the cusp of revolutionary change. Generative AI and technological advances are the driving force behind this new era, reshaping how financial advisors create content, understand data, engage with clients, and market their services. These tools offer unprecedented opportunities for efficiency and creativity, enabling financial advisors and financial services companies to enhance their digital footprint and communications touchpoints while preserving the essential human touch that underpins trust and client relationships.

One of the most significant benefits of AI for financial services firms and allied communications firms like mine is content creation. Financial professionals and firms need an effective online presence. AI can play a pivotal role in enhancing this presence by providing personalized communication and content creation tools. Moreover, AI tools can optimize content for search engines, improving visibility and reach.

The key to successfully integrating AI into your content strategy is balancing automation and the human touch. While AI can handle routine tasks and generate initial drafts, the human element is essential for adding nuance and discernment. This balance ensures that the content is not only accurate but also resonates with your audience on a personal level.

Financial advisors must use AI-generated content critically, verifying information and ensuring compliance with regulatory standards. Additionally, advisors should avoid inputting sensitive or proprietary information into AI platforms, as this data could be used in future AI-generated responses. It's also important to be aware of the limitations in copyrighting AI-generated content and to give credit where it's due.

Tools like Grammarly, Reword, and QuillBot can enhance AI-generated content by improving readability and sourcing relevant statistics. However, financial professionals must ensure that the final content reflects their unique voice and insights, maintaining authenticity and originality, and passing compliance protocols, too.

As intelligent search engines become more capable of accessing and distributing content, copyright clauses provide some assurance that the company's interests are safeguarded in the face of these technological advances. Copyright clauses have always been an essential component for companies to maintain ownership, control, and the ability to profit from their self-published content, but in an



increasingly digital and AI-driven world, notices like these are more important than ever.

Practical Tips for Using AI in Financial Services

- 1. Data Ethics and Privacy:** Ensure the data used for training AI models is ethically sourced and complies with privacy regulations. Never share sensitive or proprietary information within AI models.
- 2. Human Oversight:** Maintain human oversight to review and validate AI-generated content. This helps to mitigate biases and errors in the output.
- 3. Clear Communication:** State when AI-generated content is used, and provide explanations for AI decisions and outputs.
- 4. Continuous Learning:** Stay updated on the latest AI developments and experiment with new tools to find the best fit for your needs.
- 5. Company Policy:** Develop a clear policy for the use of AI, specifying its intended purposes and ethical guidelines.

Generative AI represents a seismic shift in how financial professionals can manage their online presence and engage with clients. As we navigate this new era, we must approach AI with an open mind, continually learn from our experiences, and use these tools responsibly. ■

Marie Swift is Founder and CEO of Impact Communications, a strategic PR consultancy and creative marketing firm that works with a select group of independent financial advisors and the wealthtech / financial services institutions that support them.

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Building Brands | Enhancing Reputations

Investing for Resiliency Across Real Estate Market Cycles

By Azure Erickson

IGNITE INVESTMENTS

As we look ahead to 2025, it's important to remember that history may not repeat itself exactly, but it often offers a guiding rhythm—especially for commercial real estate investing. While market cycles are inherently unpredictable, consistent investing and holding through downturns have historically proven effective. The key, however, is the ability to recognize promising buying conditions as they arise, such as the ones emerging today.

Policy Shifts and Market Adjustments

We're in a period of significant policy change, and the recent U.S. Federal Reserve interest rate reductions are part of that evolving narrative. The September reduction of half a percentage point combined with the November quarter-point reduction, signaled a decisive move by policymakers to reignite economic activity. Further reductions targeting 2% are likely to significantly impact transaction volumes, valuations, and investor sentiment across the commercial real estate sector.

Much like in previous cycles, commercial real estate has faced notable pressure of late. Rapid expansion of overpriced and over-leveraged opportunities driven by cheap capital left many investors exposed when interest rates began to rise. When the cost of money increased sponsors called for additional capital, distributions were delayed, and many projects veered off-course from their initial projections. Now, with more disciplined capital, the market may shift toward better pricing, more conservative leverage, and stronger underwriting.

Opportunity Window

We are starting to see early signs of renewed activity, albeit cautiously. As rates ease and confidence rebounds—whether from fundamentals or investor sentiment—more deals are appearing, even if many haven't yet closed. Though it's too early to call a full recovery, an intriguing opportunity has arisen: cap rates, although compressed from their peaks, remain above the ultra-low levels of a few years ago. Entering the market during ongoing cap rate compression allows investors to seek benefits from both current yield and potential property value appreciation as cap rates decrease toward their bottom. Those willing to take calculated risks may position themselves advantageously before cap rates begin to expand.



The Outlook for Valuations and Timing

When will commercial real estate return to full strength? Simply put, it could rise when capital becomes cheaper and an appetite for lending returns to the banks. Interest rates are already showing signs of softening, with a positive market response reflecting optimism. Investors are encouraged when future asset values appear likely to exceed today's prices.

A reasonable forecast could be that within the next six-to-18 months, we could see a meaningful resurgence in market activity—assuming major external disruptions remain in check. Are we heading back to the frothy valuations of two or three years ago? Only time will tell. However, if rates continue to stabilize and come down from their highs, conditions could be significantly more attractive than they are today.

Invest Consistently and Hold Through Cycles

So, what should investors do in the meantime? Peaks and valleys come and go, but identifying them in real-time is extraordinarily difficult. For those worried about missing the “opportunity window”—don't be. Market irrationality exists in the short term, but historically, it has demonstrated a tendency to stabilize over the full cycle. Ultimately, investors should remain active and invest with consistency, particularly in well-managed properties in prime locations. This perspective shift empowers investors to move beyond the uncertainties of market timing and lay the groundwork for long-term success. ■

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Allocating to Hedge Funds Amid Higher Rates

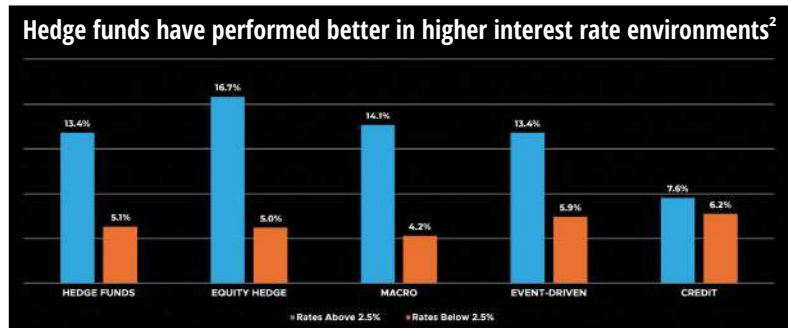
By Joseph Burns
iCAPITAL

Every client's portfolio needs three primary inputs, namely investments that drive returns, protect capital and offer diversification. Within alternatives, private equity clearly falls into the first category and private credit the second. Hedge funds, most typically considered as a diversifying asset, can also provide clients the opportunity to enhance returns and protect against the downside, but the primary role is to deliver better outcomes through diversifying return sources which are uncorrelated to long-only stocks and bonds. This is especially valuable during periods when traditional assets are positively correlated.

Of course, a hedge fund allocation is no panacea, especially when the spread between top and bottom performing hedge funds varies dramatically. However, several of the largest hedge funds, notably global multi-strategy funds that manage billions of dollars can deliver high-quality results. This is even though historically, significant asset growth has often preceded declining performance, via muted returns or greater downside volatility. The three reasons for that are: (a) carefully managed growth, with tremendous foresight on capital deployment and liquidity management; (b) continuous reinvestment in operational infrastructure, better risk systems, enhanced data analytics, etc.; and (c) strong alignment of interest, with assets matching liabilities and significant GP capital invested alongside their limited partners. Should those factors persist, we expect many of these “mega-funds” to remain a valuable alternative.

Generally, there are certain conditions that typically help or hinder the returns of most hedging strategies. For example, throughout much of the 2010s, global interest rates were near-zero, an environment in which risk assets appreciated considerably, and fixed income functioned as a flight-to-quality hedge. Unfortunately for hedge fund investors, however, when correlations and equity valuations are high, and credit spreads are tight, hedging strategies are likely to underperform. More recently, with higher rates, wider spreads, and periods of elevated volatility driven by macro-economic and geopolitical uncertainties, many hedge funds have performed far better.¹

When many hedge fund strategies “underperformed” in the 2010s, some investors concluded the hedge fund approach



had lost its lustre. We believe that market factors ultimately drive opportunities, good and bad, and the hedge fund outlook is “opportunity rich.” We expect to see more funds and structures coming to market making it easier for all clients who meet the appropriate suitability and eligibility requirements, not just institutional and UHNW investors, to gain access to top-tier funds.

Finally, we expect a continuation of higher returns and greater diversification in certain equity sub-strategies like quantitative trading, and in credit-based funds that specialize in securitized credit. From a broader strategy level, we maintain our positive outlook on macro and multi-strategy investing. Discretionary and systematic macro trading can take advantage of increases in market volatility across multiple assets classes globally, with the ability to protect against losses given their focus on liquid trading instruments. Similarly, multi-strategy can monetize these opportunities on a market-neutral basis, resulting in the potential for high returns with low volatility. Accessing return sources independent of the direction of long-only stock and bond markets can add significant value in 2025 and beyond. ■

Joseph Burns is Managing Director and Head of Hedge Fund Research at iCapital.

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Disclaimer

1. Source: eVestment; The performance of the HFRI Fund Weighted Composite Index up 14.5% since Nov. '23.
2. Source: eVestment; iCapital calculations. Period from January 1990 to September 2024. Hedge Funds are represented by the HFRI Fund Weighted Composite Index, HFRI Equity Hedge Index, HFRI Macro Index, HFRI Event Driven Index and HFRI RV: Fixed Income Corporate Index. For illustrative purposes only. Past performance is not indicative of future results.

iCapital

A New Dawn: Seizing Real Estate's Moment of Opportunity

By David Steinbach

HINES

As we enter 2025, we remain in the midst of a massive transition in the investment landscape. The momentum of the distant past (where unusually low interest rates helped propel growth, asset appreciation, and easy leverage) has faded, replaced by a more challenging environment requiring an increasingly strategic approach. But we believe a new era of recovery is upon us.

As many central banks have begun cutting interest rates, fundamentals are improving, more capital is coming into markets, and global growth is strengthening. Broader themes such as meaningful demographic shifts and the rise of AI are also guiding our increasingly positive forward-looking investment thesis.

These are all reasons that investors should approach the new year with optimism. In fact, it's our view that we'll likely look back on 2025 as a pivotal moment of recovery in many areas of the commercial real estate sector. For investors, we believe the time is now to reposition portfolios as this window opens. Our priority sectors and high-conviction themes for 2025 include:

Living: An acute housing supply shortage, unprecedented home unaffordability, and changing demographics have transformed the global living sector. We now see a pronounced proclivity to rent globally, with pockets of opportunity at the macro and local levels.

Retail: After years of turmoil, a transformed retail sector has emerged. Robust wage growth, strong consumer sentiment, and stabilizing global inflation indicate that this turnaround should continue. We believe these realities are converging into a compelling investment thesis.

Industrial: Despite softening fundamentals post-pandemic, the capital markets have remained bullish on the industrial sector. As such, it remains fairly, if not fully priced. This is particularly true for assets with short-term rollovers of seasoned leases, where buyers can underwrite large NOI gains on expiring leases given accrued market rent growth.

Office/Debt and Alternatives: Return-to-work continued to gain traction as the supply of the most desirable office spaces remained limited. In this environment, we see an opportunity for investors to sequence their exposure to the office market—a process we believe starts with a risk-adjusted approach to tactically leveraging debt. Meanwhile, niche sectors like student housing and data centers could



offer compelling opportunities.

Although we remain largely bullish on markets in 2025, some risks remain. For example, although interest rates have started to fall, they will need time to normalize. Therefore, the focus must remain on disciplined investment. In this environment, rent growth (not cap rate compression) will likely drive value creation—highlighting investors' need to execute at the asset level. And on the geopolitical front, Russia's invasion of Ukraine and ongoing turmoil in the Middle East is further exacerbating global instabilities.

2024 saw several significant elections around the world, most recently in the United States. With a new season of governing upon us, we're taking stock of the potential impacts of a new administration in Washington. While we remain optimistic, it remains to be seen what outcomes could result from potentially dramatic shifts in tariffs, immigration, and broader fiscal policies. Despite this uncertainty, we're excited about the opportunities on the horizon to put fresh capital to work.

Read more in our [2025 Global Outlook](#). ■

David Steinbach serves as Global Chief Investment Officer at Hines.

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Hines

Estate and Gift Tax Exemption

Use It or Lose It? It's Anybody's Guess

By Theresa Fortin Balducci and Carolyn Caufield

HERRICK, FEINSTEIN LLP

There has been much speculation and anticipation about the scheduled sunset of the Federal estate and gift tax exemption, which is currently \$13.61 million per person in 2024 (and rising to \$13.99 million in 2025). In 2017, President Trump, with a Republican majority in both the House and Senate, signed the Tax Cut and Jobs Act (TCJA) into law, which doubled the federal estate and gift tax exemption to its current amount. In order to achieve passage of the bill, the legislative compromise was to enact a sunset on the measure. The increased exemption is slated to expire at the end of 2025, when the estate and gift tax exemption will be cut in half. Absent Congressional action, the post-sunset exemption will be approximately \$7 million per person in 2026, according to current predictions.

The estate and gift tax exemption is the cumulative amount that a U.S. person can give or bequeath to another individual, free of transfer tax, during his or her life and at death (excluding any gifts or bequests to a U.S. spouse, which currently are exempt from estate or gift tax). Once this exemption has been utilized, any gratuitous transfer will be subject to gift tax (if the gift occurred during the transferor's life) or estate tax (if the gift occurs at the transferor's death) at a current rate of 40%. Note that, separate from and unrelated to the estate and gift tax exemption, every U.S. person also has a gift tax "annual exclusion amount". This allows a taxpayer to gift up to a certain amount annually to as many individuals as he or she wishes, free of any gift tax consequence, without reducing the taxpayer's estate and gift tax exemption. The annual exclusion amount is currently \$18,000 in 2024 and rising to \$19,000 per donee in 2025.

Post-election, we can now better assess the attitude of Congress regarding the scheduled sunset of the estate and gift tax exemption. It is more likely than it was pre-election that the elevated estate and gift exemption will be extended, if not made permanent. With the election of President Trump, and Republican majorities in the Senate



and the House of Representatives, it is conceivable that the provisions of the TCJA will at least be extended for another period. However, other factors, such as concerns about the size of the Federal deficit and the 2026 mid-term elections, may weigh against an extension of the TCJA.

There are many strategies that estate planning attorneys can implement to mitigate or eliminate the impact of estate and gift taxes. With the proper planning, those taxpayers subject to transfer tax can employ several effective techniques to lessen the burden of estate and gift taxes and help reduce any anxieties around keeping abreast of transfer tax legislation. ■

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HERRICK

Looking for 'Green Shoots' with a Margin of Safety

By Andrew J. Fleming

HEARTLAND ADVISORS

Heading into 2025, we continue to look for 'green shoots'—that is, identifying companies where fundamentals are starting to improve after undergoing a period of self-help. Strong capital allocation policies combined with stabilizing sales often lead to increased margins and a positive outlook for the stock.

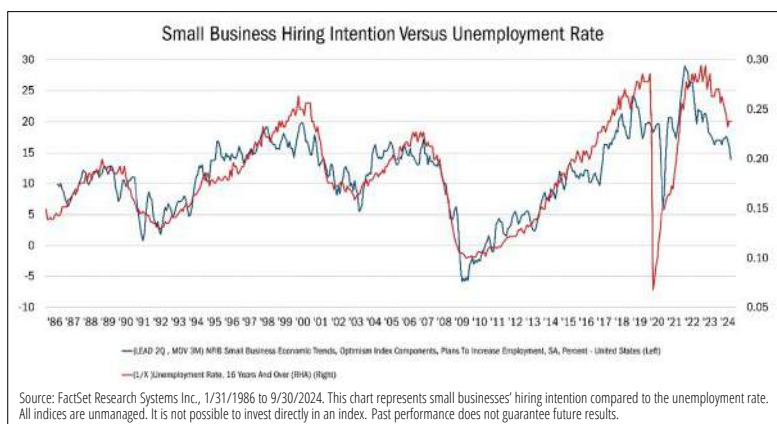
Improving demand is something investors are certainly anticipating, with the onset of the first rate-cutting cycle since the global pandemic. But while it would be a positive sign if lower borrowing costs were to improve demand, we can't bank on that.

Why? Risks in the economy seem to have shifted, from rising prices to weakness in the labor market. This suggests that payroll data will be more important to the mood of the markets than monthly updates of inflation indicators like the Consumer Price Index. On the jobs front, the news may get worse before it gets better. If history is a guide, the unemployment rate could climb from 4.2% today to around 6%, based on recent trends in the NFIB Small Business Optimism Index and the ISM Purchasing Managers Index.

Against this backdrop, one should expect the unexpected. That's why we're not only looking for companies with stabilizing sales, we're focusing on businesses that have also been deploying 'self-help' strategies to improve their operational or strategic performance regardless of the economic backdrop. An encouraging sign is that companies that are actively taking steps to improve their financial strength, competitive advantage, and operational efficiency are being rewarded in this market. By contrast, companies simply waiting around for sales to improve remain under pressure.

We are looking across a variety of industries, though more of these green shoots are likely to be found in parts of the market that benefit in the early stages of a recovery, such as Industrials and Consumer Discretionary companies. Regardless of the type of business, the ultimate goal is to identify management teams with strong capital allocation policies as a foundation for delivering shareholder returns.

As value investors, we also favor companies and management teams providing signals that their stock is



undervalued—through share buybacks and insider buying. More than 75% of our holdings in the small cap value plus strategy, for instance, are engaged in active buybacks, which is one of the highest percentage in recent memory.

We remain steadfast in focusing on well-managed small-cap companies with low leverage, solid balance sheets, and a strong capital allocation process in place, which all are part of our **10 Principles of Value Investing™**. If demand dynamics improve, the companies we are focusing on — those that are improving their own standing regardless of the economy — stand to benefit all the more. And if market breadth finally broadens out beyond the handful of mega-cap tech stocks that have dominated in recent years, the improving backdrop could provide a decent dose of operating leverage to those small green shoots we are focusing on. ■

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Learn more at www.heartlandadvisors.com and [LinkedIn](#).

For disclosure information please visit: www.heartlandadvisors.com/2025-Market-Outlook-Disclosures. Heartland's [investing glossary](#) provides definitions for several terms used on this page.



HEARTLAND ADVISORS
AMERICA'S VALUE INVESTOR®

Multifamily Market Poised for Long-Term Growth and Opportunity

By Kurt Houtkooper
HAMILTON ZANZE

The past several years have presented significant challenges for the multifamily industry.

A surge in the delivery of new apartment units has dampened rent growth and nudged vacancy rates upward in many metropolitan areas. At the same time, investment sales of apartment communities have slowed substantially, in part because of high interest rates and a decrease in property values.

Some of these challenges will remain in 2025. However, multifamily's operating fundamentals are projected to improve in 2026. Furthermore, those looking to add diversified, long-term alternative investments to their portfolio shouldn't get too caught up in the year-to-year ebbs and flows of the apartment industry because, over the long-term, institutional-quality multifamily communities can be key drivers of wealth creation.

2024: By the Numbers

As recently as early 2022, apartment operators were enjoying nearly double-digit annual rent growth. Since then, however, a tidal wave of new construction has diminished those robust increases in certain markets.

According to Apartments.com, approximately 636,000 new units will be delivered this year, marking a 40-year record. In October, the average rent in the U.S. stood at \$1,558 per month, an increase of 1% from one year earlier. In the third quarter, the national vacancy rate was 7.8%, a drop of 10 basis points from the second quarter and the first quarterly decrease since the end of 2021, Apartments.com says.

Meanwhile, the pace of apartment investment sales in 2024 has remained subdued when compared to historical norms, but there are signs of recovery. In the third quarter, investment sales totaled \$35.8 billion, which represents a year-over-year increase of 9.3%, according to Newmark.

A Bright Future

Over the past year, it's been almost impossible for apartment developers to get construction loans. Consequently, the delivery of new units will taper dramatically in the years ahead.

Beginning in the second half of 2026 and continuing through the following two years, a significant reduction in new unit deliveries will create favorable conditions for the multifamily sector. With fewer developments, the existing apartment stock will experience higher absorption rates,



boosting occupancy levels and driving rent growth.

Investment sales are expected to gain momentum as early as 2025. The Fed's easing monetary policy will likely increase investors' risk appetite, encouraging more equity deployment into multifamily assets. At the same time, stronger bank balance sheets will provide greater access to debt capital, fueling a rise in transaction volumes.

Markets such as Washington, Nevada and California offer promising acquisition opportunities due to strong fundamentals and less new supply compared to the Southeast. These areas are well-positioned for long-term growth, making them especially attractive for strategic investors.

Over the next couple of years, as the industry returns to a phase of rent growth, more capital will enter the market, enhancing property values and compressing cap rates.

The Big Picture

Multifamily's long-term fundamentals are resilient, and investing in institutional-quality apartment communities with the right sponsor can provide consistent income, tax benefits, portfolio diversification and capital appreciation. Over time, these investments can help build multigenerational wealth.

For those investors seeking diversified alternative investments for their portfolio, multifamily remains an asset class worthy of consideration. ■

Kurt Houtkooper is the CEO of Hamilton Zanze.

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 **Hamilton Zanze**

Lower Returns Ahead? Harnessing Volatility with Digital Notes

By Dr. David Townsend
HALO INVESTING

We are now in year three of the S&P 500's bull market. Stocks bottomed in October 2022 back when fears of long-lasting elevated inflation and the "higher for longer" Fed rate policy mantra reached a crescendo. But corporate America proved its might, producing solid earnings growth while keeping costs in check following a tech-driven bear market.

The launch of ChatGPT at the end of November 2022 helped lay the foundation for an AI boom, benefiting the Mag 7 stocks who are also pouring enormous sums into artificial intelligence projects. This year and last have been particularly lucrative for investors in U.S. large caps.

With the S&P 500 now touching 6000 as of mid-November, is it time to take caution? Perhaps so considering that the price-to-earnings ratio of domestic large caps is now creeping up on 23x. What's more, as of late October, the 12-month total return rose to above 43% for the first time since early 2021, following the recovery off the COVID-crash lows.

Echoing valuation concerns, Goldman Sachs' equity research team recently published a controversial piece forecasting a baseline 3% annualized total return through 2034. Such a paltry decade-ahead performance was met with backlash from other market strategists and the advisor community. After a better than 16% 10-year CAGR since late 2014, the notion of low-single-digit returns would not only disappoint many investors but might also result in individuals failing to reach their goals.

To protect against the risk of lower equity returns, financial technology can be harnessed to help investors hit their goals with more confidence. Digital notes are a structured product that takes advantage of volatility to generate significant income returns. So long as the S&P 500 does not suffer a large decline, on the order of what was seen from 2007 to 2009 and during the throes of the COVID crash, then it's possible to earn healthy risk-adjusted performance.

Each digital note features a fixed return percentage, perhaps 10%, along with a downside protection level (below which the noteholder is exposed to losses). If the protection level is 20%, then no losses are endured down to a -20% S&P 500 return. Maturity durations can vary, but many go out

S&P 500 Total Return Index 1-Year Rolling Return



for several years. In short, digital notes have the potential to limit downside risk in exchange for a substantial fixed return.

For example, a hypothetical note's terms could be:

- Underlying index: S&P 500
- Maturity: 52 weeks
- Fixed return: 10%
- Downside trigger: -20%

Hypothetical performance a of note with these terms since 1990 (Figure 1), only 5.6% of rolling 52-week periods since 1990 would have triggered the -20% downside threshold. Compare that to a direct S&P 500 investment experiencing a loss in 17.5% of all rolling return periods. This hypothetical digital note would have returned 10% annually in the remaining 95% of periods. Getting back to the S&P 500 Total Return Index chart, you can see that 1-year losses are common whereas 20% drawdowns generally prove to be short-lived, making digital notes a compelling case today and for the decade to come. ■

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Structured notes have complex features and may not be suitable for all investors. They are sold only by prospectus and investors should read the prospectus and pricing supplement carefully before investing as they contain a detailed explanation of the risks, tax treatment, and other relevant information about the investment. This content is for educational purposes only.



Solid U.S. Fundamentals Heading Into 2025, but Elevated Uncertainty from Post-Election Policy Shifts

By Matt Bush

GUGGENHEIM INVESTMENTS

The U.S. economy has solid momentum heading into 2025, but the policy outlook elevates uncertainty. Recent economic data have been solid: Household income appears on a firmer footing after upward revisions and real labor income continues to expand, indicating runway for consumer spending. Household balance sheets are also benefiting from rising asset prices, creating a positive wealth effect. While disinflationary progress has stalled in recent months, fundamentals point to a slowdown in inflation, with wage pressures easing and housing inflation moderating. Relief for rate sensitive segments of the economy looked poised to continue as the Federal Reserve (Fed) proceeded toward a more neutral policy setting.

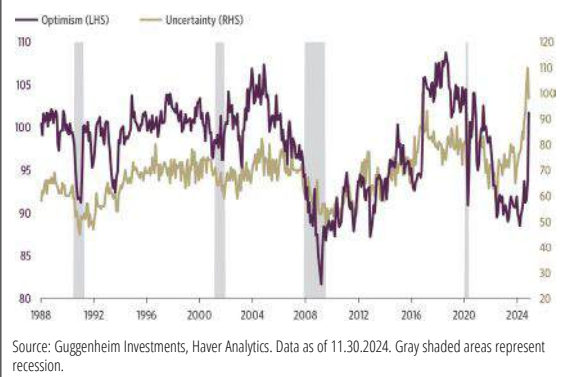
Investors are now contending with how the evolving policy landscape will alter the pre-election baseline for gradually lower growth, inflation, and interest rates. For the immediate future, the most important factor from the election outcome is likely to be a boost to both consumer and business sentiment, aided by expectations for deregulation and further tax cuts. Post-election surveys have already shown notably increased optimism for the economic outlook, which should help support consumption, investment, and hiring in the coming months.

Looking beyond the immediate sentiment boost, the outlook becomes more uncertain and depends on the ultimate policy mix of the new administration. We see a modest boost to growth from potential deregulation and fiscal policy. Delivering on deregulatory promises could boost productivity growth, though this could take some time to develop. While extension of the Tax Cuts and Jobs Act (TCJA) would prevent a fiscal drag, it provides little incremental stimulus. And we see limited scope for incremental tax cuts as the debate takes place against a much different fiscal backdrop than in 2017, with debt to gross domestic product (GDP) forecast to reach 122% by 2034 even without TCJA extension, meaning the bond market may limit the scope of fiscal expansion.

On the other hand, some of the administration's proposed policies—such as tariffs and immigration—could weigh on growth if fully implemented. Tariffs slow growth by increasing business uncertainty and lowering income. By some measures, trade policy uncertainty has already surpassed 2018–2019 levels, which could delay investment plans. Broad implementation of tariffs also threatens to push up prices, complicating the Fed's task of returning inflation to 2% and

Small Business Optimism Turns Up, But Uncertainty Is High

NFIB Small Business Optimism Index



potentially slowing the pace of rate cuts. Our base case is that the new administration implements more targeted tariffs, using them to negotiate favorable terms for the United States.

Our outlook already had slower immigration moderating growth in 2025, and further restrictions could weigh on growth. Immigration activity at the border is already down over 70% from its 2023 peak, which should slow both labor supply and consumption in coming quarters. Our expectation is that new policies will slow immigration modestly further than the current trajectory.

Altogether, we see moderate growth in the U.S. economy in 2025 as these policy shifts play out. Economic fundamentals remain solid, with strong household and corporate balance sheets. The Fed will likely ease policy further, but tariffs or tighter immigration could slow the pace of rate cuts by interrupting the disinflationary trend. We think this is an ideal environment for active fixed-income management, with still elevated yields offering return potential, solid corporate sector fundamentals, and opportunities presented by significant dispersion among credits and sectors that will continue to shift under a new policy environment. ■

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GUGGENHEIM

Why Advisors Should Buy Less Software in 2025

By Arnulf Hsu
GREMINDERS

For independent advisor firms looking to make the leap from good to great this year and leaning into artificial intelligence (AI) and analytics to take them there, interoperable systems are essential. Siloed systems that don't communicate with each other can leave your firm stuck in neutral, increasing the volume of manual work and leading to incomplete, error-prone outputs. To truly leverage AI and analytics, a connected and integrated technology stack is the first and most important step. Data must flow bidirectionally between all parts of the system.

Many firms are paying for an ever-increasing number of software subscriptions, yet they may not be using their tech stack to its fullest potential. For firms on a growth trajectory, it's especially critical that their various systems talk to each other. The most important question firms can ask of their IT department is: How well do we understand our workflows and do we fully understand how data should flow?

Buy Less Software

Very few advisory firms would rank information technology as a core competency, nor should they. So why have so many systems? Many of these systems are data islands that require continual maintenance. We recommend—even advocate for—advisors buying less software. Firms should maintain a smaller technology stack that works well together by being deeply integrated.

To achieve this, firms should identify systems that have an ecosystem of vendors (integration partners), maintain open APIs (this is how data moves between systems from cloud to cloud), and support all members of the team—from front desk to back office. The first step is to understand what technology features enable specific uses and its impacts on the firm. A smaller tech stack is inherently easier to maintain, with fewer moving parts, fewer vendors to manage, and less data redundancy.

Most firms rely on a mix of tools—spanning CRM, planning and risk, document storage, trading platforms and meetings software. In some cases, these tools are further fragmented by multiple 'point solutions' within them. Firms should move beyond the typical checkbox feature list and recognize there is a significant difference between integrations. Only buy systems that communicate well with each other and that solve your use case.



The Inevitability of AI

AI is and will be transformational in every aspect of our lives. It can make us superhuman. AI is both data hungry and data dependent. Systems are increasingly being built with AI integration. But the real magic comes when composite data from various sources are fed into it. AI excels at taking large amounts of semi-structured content and providing digestible, actionable summaries and suggestions.

AI can summarize call transcripts and notes, identify action items, automatically assign tasks to team members and establish workflows. By handling the combined activities of meeting prep, meeting follow up, and client correspondence, AI can save advisors about six hours per client per year. For a typical advisor serving 100 clients, that translates to reclaiming as much as *four months* each year. This is time advisors can better use to deepen client relationships, drive organic growth, capture more AUM, or even go golfing. Equally important, AI enables firms to scale without adding headcount or additional cost.

With interoperable systems powered by AI and good data, technology can finally deliver on a truly more efficient operation and a more personalized client experience. Advisors, what's in *your* tech stack? ■

Arnulf Hsu is Founder and CEO of GReminders.

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In-House or Outsource Your RIA's Marketing? Why Not Both?

By Kerry Davis
GREGORY FCA

What marketing and communications functions should you outsource? What can stay in-house?

An RIA that has scaled up to hire in-house marketing leaders or even full-blown marketing teams has not completely solved the issue. There is always more work to be done, both at growing independent firms and at serial acquirer mega RIAs with sprawling internal teams.

It's a question every RIA has to answer for itself. We have worked with firms of all sizes and observed how they have split the balance of integrated comms work, and I think we can point to some common threads between firms that have figured it out. Broadly speaking, successful marketing efforts have figured out the core work that should be kept in-house; and the tasks better left to "utility players," or outsourced experts.

We asked the marketing leaders we work with to explain how they see the difference between the roles. Public relations topped the list of work for utility players at pretty much every size of firm, whether the marketing work is done by a single director or a team under a CMO. "Agencies have expertise, relationships, and access that cannot be replicated internally," we heard.

In other words, they *could* do the work of a PR campaign, but they would have to split their attention between media relations and the rest of their considerable responsibilities.

Your core responsibilities should be the tasks that demand intimate knowledge of your firm's culture, value proposition, and the needs of your clients. Internal strategy development and brand management come to mind. This lets CMOs lean into their ability to orchestrate market strategy and client-facing initiatives while maintaining consistency with the brand.

On the other hand, a specialized external partner would be able to give their full attention to the outsourced work of public relations. The skill of PR goes hand-in-hand with established media relationships that take years to cultivate. Your PR partners have the benefit of an outside perspective; they can tell you what reporters are looking for, and what has absolutely been done to death.

That outside perspective also matters when things go awry. Believe me when I say it helps to outsource some of your crisis communication needs, and the media monitoring that goes with it. In a crisis, you need partners who



understand urgency and the need for an assertive response, but have the professional, emotional distance to help you without catastrophizing.

External specialists in digital marketing bring up-to-date technical expertise and advanced analytics capabilities that can significantly impact your firm's online presence. They can implement comprehensive testing and optimization strategies while integrating with your existing marketing automation systems. Creative services, too, can make more sense as "utility player" work. Sophisticated brand identity development, video production, custom photography, and complex visual presentations all benefit from a reservoir of professional expertise with a larger perspective and the bandwidth to give their undivided attention to the work.

In short: your marketing "starters" should take on your core competencies, while external partners should be able to apply specialized skills and relationships that are harder to grow in-house. Your firm's marketing leaders don't—and shouldn't—have to do it all. Their job is to effectively manage the full range of their resources, internal or otherwise, so they all work in lockstep toward your RIA's strategic goals. ■

Kerry Davis is Senior Vice President of Gregory FCA.

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How Advisors Can Navigate the New Newsroom Normal in 2025

By Abbie Sheridan

GREENROSE COMMUNICATIONS

Last year, the media industry weathered a deluge of bad news: according to the Associated Press, two newspapers closed weekly in the U.S. Yet, there was also an encouraging—and dizzying—amount of entrepreneurial movement: from the same report, 212 digital news sites were created in 2023 (including 30 former newspapers that converted to digital only), and 131 closed for a net gain of 81.

“The Big Media Era is Over”

Earlier this fall, Axios proclaimed that the news industry has been irrevocably splintered and the “big media era is over.”

This fracturing isn’t a surprise. Consider your news sources: likely a mix of traditional print and digital from national and regional outlets, trade publications to support your industry knowledge, podcasts, and other influencer-driven social content.

So while a placement in The Wall Street Journal or The New York Times might still be the dream, it’s become more challenging than ever, given the competition and limited newsrooms. Targeting audiences must entail a more thoughtful strategy that explores different mediums.

So, what should financial professionals make of these changes? And how can you reach your target audiences in this new normal?

Relationships (and PR Pros) Remain as Important as Ever

It’s no secret that in the years ahead, the media relations industry will see a stronger convergence of marketing and PR, where earned media programs must plan on some portion of paid budgets to sustain their thought leadership goals. Here are five ways to consider your participation in the ecosystem:

1. Identify and show up for the journalists whose work you care about. Similar to how you might prospect clients, select 3-4 journalists you respect. Find ways to add value, like subscribing to their Substack or podcast and sharing their content widely with your network. Offer valuable insights, respect their deadlines (don’t forget to factor in time for compliance review!), and introduce them to other sources who can help.
2. Evaluate and modify each interactive sponsorship opportunity to bolster your brand. Get creative and evaluate



webinars or paid thought leadership opportunities, especially if editorial isn’t an option.

3. Understand when it’s big news for you vs. big news for the industry or your clients. While the press release isn’t dead yet, it should only be used for major company updates or announcements. Don’t waste time or budget distributing a press release when the news is better suited to be shared in a newsletter, on social media, or your blog.
4. Sniff out the bad actors. While budgets are lean, the line between editorial and advertising remains and must be respected. If a writer singlehandedly promises to include you as a source or give you a higher priority in an article for a fee, it’s probably not journalism.
5. Consider writing more content. Publications like Forbes, Entrepreneur, Inc., and Kiplinger all have programs where you can regularly contribute articles. It’s a great way to position yourself as a thought leader on your own terms. Most industry trade publications also accept articles but read up on the editorial guidelines before submitting anything.

Undoubtedly, the media landscape will continue to evolve in the year ahead. Having a PR professional in your corner who has your best interests at heart and understands the media landscape will be critical to help make these opportunities work harder for you. ■

Abbie Sheridan is CEO of Greenrose Communications.

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GREENROSE
COMMUNICATIONS

The Growth Commitment

By Conor Delaney

GOOD LIFE

With an increasing need for financial guidance and an aging advisor population, two segments of the advisor marketplace are in a season of significant transition: advisors seeking to grow their businesses for greater impact and those preparing to step into retirement.

According to Cerulli Associates, approximately 37.5% of advisors are looking to retire in the next 10 years. At the same time, many advisors have opportunities to scale their practices by expanding services, adding team members, and meeting the evolving needs of a growing market. For both groups, the independent channel provides a unique opportunity to build value while aligning their work with their purpose, stewarding their resources well, and creating their legacy.

Stewarding Growth

For advisors nearing retirement, succession planning is not just about handing over the reins. It's a way to honor the work they've done and ensure their efforts continue to bear fruit. Many advisors have spent their careers helping clients achieve financial security. In doing so, they've built businesses that are likely their most significant assets. This season of their careers offers an opportunity to focus on maximizing the value of their businesses while ensuring a strong transition that benefits their clients, team, and families.

For those looking to grow, the opportunity lies in recognizing that what worked in the past might not carry them to new heights. They must be willing to step back and evaluate whether their business is positioned for the next level.

Whether preparing to grow or retire, success relies on making an intentional decision to move forward. As highlighted in the McKinsey & Company report, "[Choosing to Grow: The Leader's Blueprint](#)," this mindset allows leaders to act with purpose, shaping their culture, resources and decisions around a vision for the future.

Adopting a CEO Mindset

Independent advisors often wear many hats—advisor, manager and strategist—building their businesses by investing personally in every detail. While this approach reflects dedication and care, it can also limit their ability to scale. Adopting



a CEO mindset means transitioning from working *in* the business to working *on* the business. It's about seeing the organization as a mission-driven entity that can operate and grow beyond any one individual.

This shift often involves letting go of deeply personal attachments to specific roles or tasks. For many, this can feel like losing a part of themselves. However, change is necessary to create the capacity needed for strategic growth.

This CEO perspective also requires a structured operating model that supports long-term goals. Advisors need accountability partners, just as a CEO relies on a board of directors. These external voices provide fresh perspectives and help ensure the business remains aligned with its mission and vision.

Redefining Success

Shifting to a CEO mindset also means redefining what success looks like. Assets under management and revenue remain important, but they are the outcomes of something greater: building a business that serves people well. Advisors need to understand if they are investing in the right areas to support growth. For example, is the team equipped to succeed? How is growth impacting their clients? A growth focus doesn't mean sacrificing quality. It means enhancing the client experience through better systems, innovation and care.

By embracing change, focusing on growth, and leading with intention, advisors can build something meaningful that reflects their values and creates a foundation for success. ■

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Tracking # 669783



A Dog's Breakfast

By Thomas Martin

GLOBALT INVESTMENTS

What will the outlook be for 2026 by the Fall of 2025?

After being focused on the U.S. presidential election for most of 2024, a time horizon that grew shorter and shorter as we approached the event horizon, it's time to step back and look at the bigger picture and a longer view. Markets try to look out nine months or so if they can, like a driver looking through the curve he is navigating. That would put us in the Fall of 2025, and markets by then will likely be thinking about what mid-year '26 might look like.

Post election, it's a dog's breakfast.

Lots of kibble being furiously devoured and spread around the kitchen floor. The meal is Trump 2.0, but how it's going to settle in the tummy over the next 18 months is hard to know at this point. Everything is up for grabs—trade, immigration, business regulation, taxes, government spending, to name a few. We expect, the effects will be felt in inflation, debt levels, the dollar, interest rates, GDP, and earnings.

What's in the cabinet? All the big dogs know where the treats are kept and have been jostling and nipping and pawing for position like a less civilized version of the Westminster Kennel Club. The judges in the Senate have their work cut out for them, but it looks like Best in Show has been decided, with Scott Bessent getting the nod for Treasury Secretary. So far, this seems to be a crowd pleaser with the markets. The rest of the pack appears to be more mixed breed, and the policy that emerges is potentially unusual and unpredictable.

Rethinking what's possible. This is the optimistic view of what may have a chance of happening in the new Republican Sweep administration. There was a lot of talk about end-of-the-world outcomes on both ends of the political spectrum prior to November 5, but the financial markets in the U.S. have been having none of it. What if a more experienced, more mature, but still maverick administrative configuration can move the underlying fabric of the economy in the direction of lower taxes, better incentives, better trade, and more efficiency without stoking inflation or raising debt past the tipping point?



The Fed is calmly minding the leash and maintaining its independence. To the extent that it can continue to thread the needle on its dual mandate, it can help foster an economy-friendly environment on its end. As with any animal, it is hard to control things you really don't have much control over. But in broad strokes, they try to know when to be more restrictive and when to be less restrictive, a shorter or longer leash. For now, they are gradually trying to ease up and expect to continue do so within our time horizon.

Innovation, rational risk-taking, and sound investment. We believe these are the ingredients for a strong economy. When they are working, employment can

flourish and consumers can feel confident and spend. The advent of artificial intelligence, its infrastructure, use cases and outcomes, has the potential to help this to happen. It, along with government and central bank policy, will be the major determinants of growth and how much is paid for it as we roll into 2025 and look to 2026. We believe a diversified portfolio across equities, fixed income and cash is the prudent way to position for this environment. ■

Thomas Martin, CFA, is Senior Portfolio Manager at Globalt Investments, an SEC Registered Investment Advisor.

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The views in the text are those of the author's and not necessarily those of Globalt's. For more information on Globalt please refer to the Investment Adviser Public Disclosure site or Globalt's website.



Beyond AUM: The Value of Comprehensive Wealth Management

By Jay Jumper
FUTURE CAPITAL



— 10TH ANNUAL —
2024 Wealth Management.com
Industry Awards
Finalist

When assessing an advisory

firm's value, modern buyers look beyond current revenue to evaluate the depth and stability of client relationships. Firms that can demonstrate the ability to provide comprehensive financial guidance, including oversight of workplace retirement assets, may present a more compelling value proposition to potential buyers.

The Value of Complete Client Relationships

Consider two identical firms with \$250 million in AUM. Firm A manages only their clients' taxable and IRA assets. Firm B provides oversight of all client assets, including workplace retirement accounts. The firm offering a wider range of services should find itself better positioned for future transitions, as they've developed systems and processes to address their clients' complete financial picture.

The importance of this comprehensive approach becomes clear when we consider that retirement accounts make up 36% of an average person's assets. For individuals with between \$100,000 and \$2 million in financial assets, that percentage increases to 56%.¹

Advisory firms that incorporate workplace retirement asset management into their service model may strengthen their client relationships through increased touchpoints and comprehensive oversight. This expanded service capability can create opportunities for deeper client engagement and potentially lead to identifying new planning opportunities.

Building Lasting Value

As the advisory industry matures, the ability to provide comprehensive wealth management becomes increasingly important. The [Bureau of Labor Statistics](#) reports that Americans hold an average of 12 different jobs between ages 18 and 56, creating a complex web of retirement accounts that require professional oversight. When advisors can view and advise on a client's full financial picture, including workplace retirement assets, they're better equipped to deliver thorough financial guidance. This approach requires systematic processes, integrated technology, and clear service documentation—all elements that can contribute to firm value.

Moving Beyond Traditional Boundaries

For advisors to deliver truly comprehensive financial

guidance, they need effective tools to incorporate workplace retirement

assets into their service model. Success in this area requires sophisticated technological solutions that connect directly with retirement plan providers, automate essential processes, and maintain strict compliance protocols.

With the right technology infrastructure in place, advisors can transform their service delivery not only to better address the needs of individual investors, but to the entire household. Modern platforms enable advisors to identify planning opportunities proactively, implement consistent investment strategies across all client accounts (including, for instance, spousal workplace accounts), and provide clients with consolidated views of their entire financial picture. This unified approach helps advisors shift from managing separate accounts to delivering truly holistic wealth management.

Looking Forward

As workplace retirement plans continue to hold substantial client assets—with Morgan Stanley's outgoing CEO James Gorman predicting they will become the [top spot for new assets over the next decade](#)—advisors who develop efficient management systems will be better positioned to serve their clients' evolving needs for unified, holistic financial advice. This will require carefully selecting technology solutions, establishing clear processes, and maintaining strong compliance protocols.

As technology continues to break down the barriers between health, wealth, and retirement, the future of financial advice hinges on providing truly comprehensive wealth management, with workplace retirement assets playing an essential role in client success. Advisors who embrace this approach today build stronger practices for tomorrow. ■

Jay Jumper is Chief Executive Officer of Future Capital, a leading wealthtech solution for workplace retirement plan participants.

[Learn more at www.futurecapital.com](http://www.futurecapital.com) and [LinkedIn](#).

Source: 1. Envestnet Trends Report 2023-2024, Accelerating Toward the Future of Financial Advice.



Digital Strategies for Wealth Management Success in 2025

By John A. Guthery and Peter Brittain

FUSIONIQ

— 10TH ANNUAL —
2024 Wealth Management.com
 Industry Awards
Finalist

Digital-first. You hear it everywhere in financial services today. But what does it mean for wealth management enterprises in 2025? And what can you do to respond to the challenges of digital transformation?

In advisory firms, banks, and credit unions, the advisor has been the backbone of success for wealth management programs over the past several decades. And will continue providing much-needed service in the future as they deliver financial advice to high-net-worth and ultra-high-net-worth clients.

However, wealth management organizations need to do more to support advisors in a rapidly evolving world where digital technology touches every aspect of our lives. Pre-integrated digital wealth management platforms that can support clients through the entire investor lifecycle will position advisors for success in a digital world. With the right fintech partnerships, implementing platforms that leverage the power of cloud-native technology and AI is neither expensive nor a drain on in-house resources.

Here are three key strategies wealth management leaders need to act on now to protect their organizations from emerging threats in the forms of new technology and changing client expectations.

Embrace the Evolving Role of Digital Investing Technology

Efficiency and enhanced user experience are reshaping investors' confidence that a digital platform can account for at least part of their investment strategy. The rapid growth of mobile applications has helped to accelerate this trend as today's investors are comfortable doing almost everything on their phones. Many financial institutions have already embraced mobile support for banking and other services. Adding digital and mobile investing makes meeting your investors where they are easy and economical.

Take Advantage of Your Demographic Reality

Tomorrow's mass-affluent and high-net-worth investors are already a part of your organization. In banks and credit unions, they represent the thousands of depositors and members whose current wealth is designated as a small account that



does not meet the minimum investment qualifications of the in-branch advisor. In wealth management firms, they're the children of your clients. Without a digital solution, many of these digital-first or early-stage investors are forced to take their funds and invest in the growing number of easy-to-access online investment plat-

forms. And, as digital transformation accelerates with customers looking for unified financial services, you may never get them back. Providing next-gen investors an entry point to grow their wealth through a platform that offers hybrid digital advice with advisor involvement as needed, allows firms and institutions to nurture the next generation of wealth.

Focus on Education and Implementation

Investor education has become a core part of wealth management programs. This goes well beyond investing and can reach into saving, planning, healthcare, and beyond. The value of educating clients on the importance of investing for their futures is clear. However, on its own, the education platform is an incomplete solution. Matched with a digital investing platform, investor education becomes actionable and relevant. This allows investors to understand what they need to do to protect their economic future.

Evolving digital wealth solutions help develop new revenue streams, retain customers, and recruit new customers and investors. Financial advisors are the biggest beneficiaries of the digital mobile platform. By solving for smaller accounts, a digital mobile platform allows advisors to focus on their most profitable relationships, building a pipeline of future clients for the advisor, financial institution, and wealth management firm. ■

John A. Guthery, CFA, is Chief Investment Officer and Peter Brittain is Head of Business Development at FusionIQ.

Learn more at fusioniq.io, [LinkedIn](#) and [X](#).

 **fusionIQ**
 Digital Wealth. Delivered.

Middle Market Fundamentals Outlook

By Andrew Korz

FS INVESTMENTS

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The U.S. middle market—in this context, referring to the roughly 200,000 companies in the U.S. that make between \$10 million and \$1 billion in revenue annually—is the lifeblood of the U.S. economy. For private alternative strategies, its health is critical—to the PE investors that own these companies, the private credit firms that lend to them and the real estate operators that lease to them. In our review of middle market fundamentals, we observe that this segment of the market is not only surviving the higher interest rate environment but also thriving.

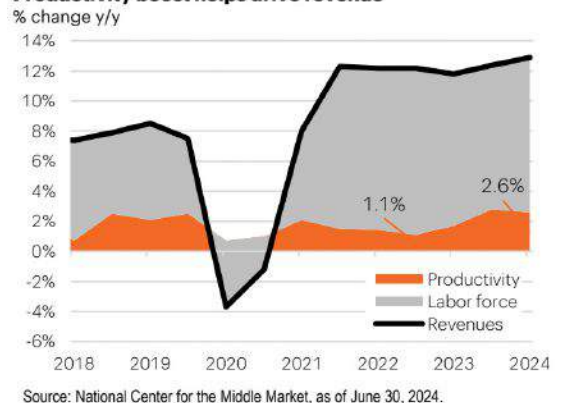
Revenue for middle market firms grew by 12.9% in the year ending June 30, the strongest pace of growth since the beginning of our data set. This is even more impressive considering revenue growth has remained nearly constant since Q4 2021, a period during which CPI inflation declined from a yearly pace of 7% to 2.5% today. Said differently, strong revenue growth in the U.S. middle market has increasingly come from real unit sales growth rather than price increases. Compare this to the S&P 500 ex-Magnificent 7, which grew revenue at just a 4.5% pace over the past year, and it becomes clear where U.S. economic resilience has accrued.

Financial strength has led to an appetite among middle market firms to invest. Nearly two-thirds of firms report plans to invest an incremental dollar of sales rather than save it, the highest number since the pandemic. Hiring remains solid but cautious; companies report robust hiring intentions, but the number of job openings for firms with 250–5,000 employees has fallen by almost 50% since its peak in late 2021, though layoffs are near-nonexistent. In all, more tepid hiring combined with rising capital investment has resulted in productivity growth of 2.6% (compared to the pre-COVID level of just 0.7%).

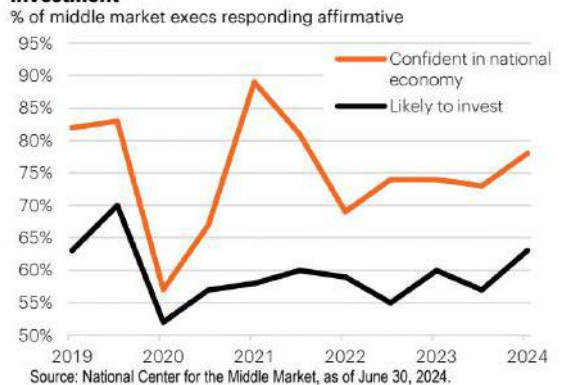
Executives at middle market firms are increasingly confident in the resilience of the U.S. economy. These firms reap an average of 80% of sales domestically but have been consistently bearish on the national economy. One survey shows confidence in the U.S. economy among middle market executives finally turning higher at midyear 2024 to a 30-month high, likely a reflection in part of expected Fed rate cuts.

Elevated rates undoubtedly remain a challenge, though their moderation since late spring has provided a much-needed boost for business sentiment. Core drivers of revenue growth for middle market companies—the U.S. consumer and capital investment by large corporations—remain intact.

Productivity boost helps drive revenue



Growing confidence drives appetite for investment



And middle market firms' plans for capital investment and expansion signal a confidence in the future that will require significant capital from outside investors to finance. ■

Andrew Korz, CFA, is Executive Director of FS Investments.

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 and [Instagram](#).



Generosity is Growing: Here's How Advisors Can Help

By Joseph Mrak

FOUNDATION SOURCE

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We regularly step back from our clients' day-to-day activities to understand how their approach to grantmaking and the composition of their endowments changes from year-to-year and over longer cycles. Generosity was notably impressive with our foundation clients granting more than \$1.2 billion to more than 25,000 recipients through the end of November—on pace to match or exceed giving in previous years. We predict that the combination of market performance and the high volumes of grantmaking that occurs in the final month of the year will result in strong overall giving for 2024.

The growing popularity of charitable giving presents a significant opportunity for advisors, who can extend their offerings to include strategic planning that maximizes clients' philanthropic impact and drives tax efficiency. Here are three trends advisors can lean into as clients evaluate their 2024 gifts and plan for 2025.

Growing Popularity of Organized Philanthropy

The [Giving USA Foundation](#) found that grantmaking organizations, including foundations and donor-advised funds, experienced the strongest growth as wealthy donors invest in the future of the nonprofit sector. DAFs in particular have gained popularity among donors and advisors for their ease-of-use and tax advantages—and because a growing number of donors (particularly Millennials and Gen Z) want to align their investment choices with their core values and charitable interests.

Clients are also using a combination of vehicles and approaches to drive impact and meet their philanthropic goals. There are [several advantages to harnessing more than one charitable vehicle](#), including increased tax benefits and a greater balance of simplicity and flexibility with autonomy and personalization. There are opportunities to diversify giving strategies within vehicles, too.

A flexible philanthropic toolkit enables advisors and their clients to customize their giving to maximize charitable impact, create better financial synergy, and enjoy greater tax savings and tax-free asset growth.



Rising Influence of the Next Generation

With the “great wealth transfer” well underway, it will not be long before the next generation drives trends in spending, saving, investing, and importantly, giving. We recently [surveyed 1,000 Gen Z and Millennial donors](#), and the findings can help advisors better understand their perceptions and preferences around charitable giving.

The survey revealed that younger generations don't limit their charitable activities to financial contributions. They see a range of activities as an expression of their commitment to social change, including donating items, volunteering time, helping with fundraising, and sharing expertise/knowledge. When they do donate financially, their contributions are influenced by their respective financial resources; high

**Younger generations
aspire to be seen as
“givers,” “volunteers,”
“advocates,”
“changemakers” and
“humanitarians.”**

earners donate greater amounts. As the next gen matures and hits their peak earning years, their potential to contribute more financially to the causes they care about will grow, too.

Millennials who engage in charitable activities started at an average age of 18; Gen Z started even younger, at age 14. This early start is likely to inform their lifelong commitment to social change. So far, their giving has been informal and direct, but they show interest in learning more about formal charitable vehicles and other giving approaches. Giving circles and trust-based philanthropy are among the top approaches of interest, and DAFs and family foundations see the most traction among formal charitable vehicles. Next gen may be interested in more tax-efficient ways of giving as their taxable income increases as well.

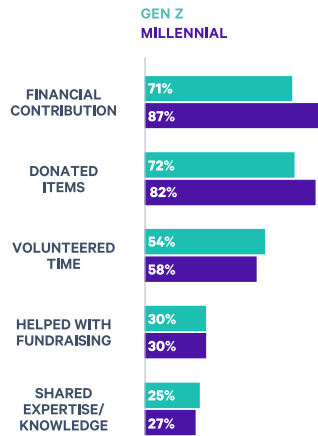
The next generation's inspiration to get involved in charitable activities is primarily driven by family, having a passion for a specific cause, and wanting to help their local community. Many high-net-worth families care deeply about building a legacy that spans generations. At the same time, the next generation thinks about wealth and giving differently than their parents and grandparents. Younger generations aspire to be seen as "givers," "volunteers," "advocates," "changemakers" and "humanitarians." Their preferences imply a generous and caring mindset and a desire for direct involvement in giving back. They're eager to be active participants in charitable work and feel connected to the impact that nonprofits have on communities and society at large.

Ultimately, newer donors are eager to find ways to optimize their contributions by forging funding partnerships, leveraging giving circles and highlighting the work of their nonprofit partners. Financial advisors, therefore, play a crucial role in bridging the generational gap to strengthen family legacies and impact well into the future. Advisors' success depends on their ability to resonate with the next gen.

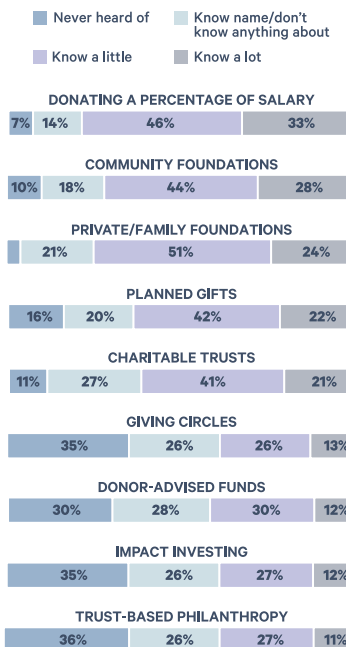
Potential of Advanced Technologies

Like many industries today, the philanthropic sector is

How Gen Z and Millennials Give Back
A survey with 1,000 individuals between 18-43 years old



What the NextGen Know About Giving Approaches



evolving with the growing use of advanced technologies, like artificial intelligence (AI). In a recent survey, the Technology Association of Grantmakers (TAG) found that 81% of foundations report some degree of AI usage within their organizations. Individuals are the most likely to be leveraging AI, while it's still early days for adoption on the organizational level.

For wealth managers, PhilTech—software that supports charitable giving—will continue making philanthropy a more practical, cost-efficient offering, particularly for financial institutions and their high-net-worth clients. For example, advisors can rely more on white-label technology offerings that simplify back-office work like opening accounts, tracking grant requests and payments, managing expenses, and producing reports, so that they can spend more time with clients on strategic planning for their philanthropic missions.

It's an exciting time for the philanthropic sector and the various advisors who support clients' efforts to create impact. The increasing popularity of organized philanthropy, insights into the rising generations, and the potential for technology promise to make charitable giving easier and more efficient for donors and the advisors and financial institutions serving wealthy clients. We are inspired by the volume of activity we have seen during the giving season so far, and while we are entering a period of uncertainty with the change in presidential administration next year, we remain optimistic about momentum in the sector. We look forward to partnering with financial advisors as they help clients navigate the changing economic and regulatory landscape and the potential implications on their philanthropic contributions. ■

Joseph Mrak is CEO of Foundation Source.

Learn more at foundationsource.com, [LinkedIn](#), [Facebook](#) and [Instagram](#).

FOUNDATIONSOURCE

Tax Efficient Ways to Exit Real Estate Holdings

By Julie Baird

FIRST AMERICAN EXCHANGE COMPANY

Many baby boomers who have invested in real estate assets now find themselves asset-rich thanks to potentially sizable property portfolios, but also cash-poor. Other boomers may be looking to simplify their holdings or transition to more liquid investments. Either way, selling real estate comes with the drawback of capital gains and depreciation recapture taxes, which can sharply reduce the equity available for reinvestment.

One way to address this challenge is to consider strategies, such as 1031 exchanges, which allow boomers to defer taxes indefinitely, or until a lower tax bracket applies, through reinvestment in “like-kind” properties. Other options they can consider include installment sales, establishing charitable remainder trusts, or leveraging the primary residence exclusion by converting an investment property acquired through a 1031 exchange into a primary residence before selling.

Investors should always consult their tax professional and legal counsel when evaluating their options, but let’s explore how 1031 exchanges and other complementary strategies can help boomers exit real estate holdings effectively.

Flexibility and Estate Planning

Under [IRC Section 1031](#), investors can defer capital gains taxes when exchanging real property held for investment or business purposes for another “like-kind” property. All U.S. real estate is considered like-kind, including in certain circumstances the U.S. Virgin Islands, Guam and Northern Mariana Islands, which provides flexibility for investors seeking to adjust their portfolio.

Using 1031 exchanges can also be an effective estate planning tool for boomers who hold investment properties through repeat 1031 exchanges until death. Upon passing, heirs receive the property at a stepped-up basis, resetting the property’s value to its fair market value at the time of inheritance. This eliminates capital gains taxes on the deferred gains and allows heirs to sell the property with minimal tax liability. This strategy allows boomers to generate income during their lifetime, while also preserving wealth for the next generation.

Installment Sale or Charitable Remainder Trust

An [installment sale](#) allows sellers to avoid a large, taxable lump sum by receiving payments over time, spreading income and tax liability across several years while earning



interest. However, it requires careful planning to meet IRS rules, with taxes due annually on received payments.

A Charitable Remainder Trust is another option and enables sellers to transfer real estate into a trust, sell it tax-efficiently, and receive lifetime income through distributions. Sellers also benefit from a charitable tax deduction, with the remaining assets going to a designated charity after their death. This option can also be complex and costly to set up.

Leveraging IRC Sections 121 and 1031

Boomers can also reduce taxes by combining the benefits of [IRC Sections 121](#) and 1031. By acquiring a property through a 1031 exchange and later converting it to a primary residence (living in it for at least two of the five years preceding the sale), a seller can exclude up to \$250,000 (single) or \$500,000 (married) of capital gains under Section 121—reducing their taxes significantly.

Whichever strategy a boomer chooses to transition out of their real estate holdings, it is important to mitigate the tax impact of their investment. A team comprising a qualified intermediary, attorney, tax analyst and real estate broker can help a real estate investor navigate regulations and optimize their strategy to reach specific financial goals and establish a legacy. ■

Julie Baird is President of First American Exchange Company.

Learn more at www.firstexchange.com, [LinkedIn](#) and [Facebook](#).

Nothing contained in this article is to be considered as the rendering of legal advice for specific cases, and readers are responsible for obtaining such advice from their own legal counsel. This article is intended for educational and informational purposes only.



Continuous Learning: The Choice to Succeed

By Jon Kuttin

FINANCIAL ADVISOR SUCCESS SYNDICATE

"The capacity to learn is a gift; the ability to learn is a skill; the willingness to learn is a choice." —Brian Herbert, Author

The key to long-term success lies in one's ability to adapt, evolve, and grow. Continuous learning—the practice of consistently developing skills and acquiring knowledge—is no longer optional for professionals. It is a necessity for those who want to stay relevant in their fields, reach their career goals, and maximize their potential.

With evolving regulations, technological advancements, and shifts in client expectations, the role of a financial advisor demands a commitment to ongoing education. The innate role of a financial advisor demands not only a deep understanding of the present but also the ability to anticipate and adapt to the future. By committing to continuous education, advisors better position themselves as trusted experts and help ensure they can meet the evolving needs of their clients while staying ahead of industry trends.

Advisors who fail to stay informed risk falling behind and providing outdated advice. Consider, for example, the rise of cryptocurrencies, ESG (Environmental, Social, and Governance) investing, and artificial intelligence-driven financial tools. These trends are no longer niche topics but mainstream considerations. Staying current allows advisors to incorporate these developments into their practices confidently. Regulatory changes and fiduciary standards also continue to evolve, requiring advisors to be proactive in understanding and applying new rules to ensure compliance.

Beyond technical expertise, continuous learning enhances the client-advisor relationship. Clients often turn to their advisors for clarity and guidance in a complex financial world. An advisor who is well-versed in the latest industry developments can offer personalized strategies that reflect best practices and new opportunities. This level of expertise not only builds client confidence but also strengthens the relationship by demonstrating the advisor's commitment to their financial well-being.

Continuous education also helps financial advisors differentiate themselves in a competitive market. Distinguished certifications such as the CFP® (Certified Financial Planner) or CFA® (Chartered Financial Analyst) are not just letters after a name—they signal a commitment to excellence and advanced knowledge. Advisors with these credentials often



gain access to new opportunities, including advising high-net-worth individuals or expanding into specialized markets, further elevating their value in the marketplace.

Incorporating continuous learning doesn't have to be a daunting task. Advisors can attend conferences, participate in webinars, pursue advanced certifications, or engage in peer learning communities. These activities serve as an investment in their professional growth, equipping them with the skills and knowledge to better serve their clients and adapt to industry shifts.

However, embracing continuous education is not just about staying relevant—it is about building trust, fostering stronger client relationships, and achieving long-term professional success. In a constantly evolving industry, those who commit to learning position themselves as invaluable experts capable of navigating change and delivering exceptional service. By making lifelong learning a priority, financial advisors not only elevate their careers but also empower their clients to achieve their goals. ■

Jon Kuttin is Founder of the Financial Advisor Success Syndicate.

Learn more at www.JoinFASS.com, [LinkedIn](#), [Facebook](#), [Instagram](#) and Skool.com.

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The Imperative of Digital Accessibility

By Stefan Reinke

FACTSET

The European Union (EU) set up a comprehensive legal framework for digital accessibility based on the principles outlined in the EU Charter of Fundamental Rights and the United Nations Convention on the Rights of Persons with Disabilities (UNCRPD). These key directives include the Web Accessibility Directive (Directive (EU) 2016/2102) and the comprehensive European Accessibility Act (EAA, Directive 2019/882).

The EAA, a pivotal directive, mandates accessibility for a broad range of products and services across both public and private sectors. From consumer electronics like smartphones and e-readers, to critical services such as e-commerce and real-time travel information, the EAA aims to ensure that digital platforms are inclusive for all users.

The breadth of the EAA's requirements is a considerable challenge to businesses. The directive demands compliance across a universe of digital products, necessitating thorough testing and iterative improvements. Companies that fail to meet these standards face substantial risks, including:

Legal Consequences: Non-compliance can lead to severe fines and potential litigation.

Financial Impact: A non-compliant digital platform can alienate a significant portion of the customer base, directly impacting revenue.

Reputational Damage: A non-inclusive approach could tarnish a company's image, eroding customer loyalty and trust.

Accessibility should not be an afterthought—it must be an integral part of the design and development process. Product managers and designers must be deeply involved in crafting accessible interfaces, like high-contrast color schemes, easily navigable interfaces, and components designed with distinct focus and hover states. This holistic approach ensures accessibility is embedded into products from ideation to execution.

Engineers and UI/UX specialists certified by the International Association of Accessibility Professionals (IAAP) continuously engage with accessibility experts to refine strategies, creating a “learning-doing” culture that makes sure institutional knowledge keeps pace with evolving standards and best practices.

Accessibility is a moving target, necessitating rigorous



and continuous testing. Employ automated accessibility testing tools to efficiently detect issues, and as a complement to manual testing using screen readers and other tools. This dual approach ensures you find and fix accessibility issues before they affect users.

Adhering to accessibility standards like those of the EAA is not just about avoiding penalties or enhancing usability; it's about fostering inclusivity and equity. For businesses, this commitment can translate into several benefits:

Enhanced UX: Accessible design enhances the overall user experience, benefiting all users.

Operational Efficiency: A well-designed, accessible platform can reduce the burden on customer support services.

Market Opportunities: Adhering to regulatory compliance can unlock new market opportunities and customer segments, especially in regions that have strict accessibility standards.

Digital accessibility is a fundamental aspect of modern digital development.

By prioritizing accessibility, businesses can not only meet regulatory requirements but also enhance their user base, drive innovation, and demonstrate a commitment to an inclusive digital future. As we continue to evolve and adapt, the imperative remains clear: accessibility is not just an obligation; it's a pathway to creating a more just and equitable digital world. ■

Stefan Reinke is the Senior Principal Product Manager within Dealmakers and Wealth Team at FactSet. FactSet is committed to being a leader in accessibility with a comprehensive, collaborative approach that involves continuous learning, rigorous testing, and a seamless integration of accessibility principles from design to deployment.

[Learn more at www.factset.com](http://www.factset.com), [LinkedIn](#), [Facebook](#), [Instagram](#) and [X](#).

FACTSET

Video Rapidly Emerging as Indispensable Wealth Management Tool

By Jeremy Jackson

F2 STRATEGY

Amid economic changes, shifting consumer behavior and technological advancements, businesses across various sectors—including wealth management—are striving to gain a competitive edge. In their quest to adopt new operational practices and their efforts to maintain relevance, they must find new ways to bring key stakeholders along on their journey.

As **fintech disruption** accelerates, hybrid work becomes commonplace and businesses adapt to post-pandemic realities, digital solutions are becoming more prevalent—most notably, video content. This once “nice-to-have” tactic is poised to become the industry’s go-to information consumption platform.

Video Adoption is on the Rise

The demand for digital content has **soared**, and video is credited with driving higher awareness and greater comprehension than other communication methods, including text. Interestingly, statistics show that **54 percent of adults** report getting news from social media including YouTube, TikTok and Facebook. Video’s ability to engage audiences is rooted in its **multi-sensory appeal**.

Barriers to Video Creation No Longer Exist

While professionally produced videos are optimal for capturing testimonials and high-touch content aimed at evoking deep human connection, organically produced videos are preferable when used for tutorials or general awareness.

Not only is video engaging and effective, but it’s now easier than ever to create. With generative artificial intelligence (AI) integrated into commonly used graphics platforms such as **Canva** and mobile phone software, video production is more accessible than ever. Given all the new ways to affordably and efficiently create video, firms can now generate and publish more content to keep their brands highly ranked with search engines for greater market exposure.

Use Cases for Video are Abundant

Marketing and Brand Awareness: Including video in a firm’s marketing strategy is a smart move, with **87% of marketers** saying that video has directly increased their sales. Video’s appeal comes from its ability to engage prospective clients seeking information about the industry. Its ease of



consumption effectively informs knowledge-seekers about the benefits of working with a financial advisor. It is also useful in building brand awareness, which not only helps with client prospecting but can also be useful for recruiting financial advisors to assist in countering the **industry’s talent shortage**.

Change Management: As firms undergo transitions, from technology upgrades to changes in custodians, ongoing communication is the key to maintaining an aligned team and a well-informed client base. Video can be easily customized to address the diverse needs of those affected by evolving norms.

Business Enablement: RIAs and their customers often encounter a learning curve when their tech stacks or other core offerings are updated. Video tutorials can increase comprehension and adoption, ultimately benefiting clients and financial advisors alike. This is backed by research that found internet users reportedly **retain 95% of information** consumed via video.

The Time to Adopt Video is Now

With a variety of organic tools and professional platforms available for video creation—alongside services specializing in polished, professional content—adopting video has never been easier. Wealth management firms that delay embracing video risk falling behind more agile competitors. ■

*Jeremy Jackson is the Executive in Residence at **F2 Strategy**, a wealth management technology and marketing services firm helping complex RIA, wealth, bank/trust and family office firms improve their technical capabilities to build exceptional client and advisor experiences.*

Learn more at www.F2Strategy.com and [LinkedIn](#).



F2 STRATEGY

Don't Want Growth? Don't Do Estate Planning

By Matt Morris

ENCORESTATE PLANS

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Finalist

Estate planning = growth lever for your firm. According to a recent survey, Encore customers on average saw a 25% increase in their financial planning fees after incorporating estate planning. And, customers received on average 7 referrals via the Estate Planning Process. If you've been thinking about bringing estate planning into your practice, here's how to start based on 13 advisors' processes and tips.

How To Start Your Estate Planning Practice Without Practicing Law

Step 1: Consult Your Compliance Team

In clients' eyes, estate planning is an expansion of your services and capabilities they're already enjoying (hint: you already read and handle legal documents frequently). The difference between you and an attorney is that you are not drafting the documents nor telling the client what plan type they need.

And if you're worried about unauthorized practice of law (UPL), here are [3 steps to avoid UPL + examples](#).

Step 2: Own the Estate Planning Process. (You're Leaving Money on the Table)

Delegation of estate planning attorney or online DIY software commonly leads to procrastination by clients. Clients want a collaborative process with you as a part of the process. A trusted advisors' involvement ends client procrastination.

After referring this line of business out, Tushar Kumar of Twin Peaks Advisors decided to own the estate planning process from start to finish:

"For the better part of 11 years of my career, I was constantly referring that business to someone else and not being able to own that process. More often than not, [the estate plans] didn't get to the finish line."

Step 3: Determine the Model, then Operational Execution

Here are a few things to consider for your service model:

- Will you hire staff or adopt software for estate planning?
- Do you have checklists and follow-up processes for each phase of the estate planning process, especially for post-document creation and funding?

- Do you have client-facing resources like templated answers and FAQs that you can send clients quickly?

Step 4: Leverage Estate Planning Software

Consider your team's capacity to execute. Unless their firms are over capacity, many advisors leverage software, like EncorEstate Plans, to help them fulfill their clients' estate planning needs.

When it comes to evaluating tools, consider using Eric Negron's (of Forefront Wealth Partners) evaluation criteria of looking at a vendor's culture, character, and core values instead of just the technology only. Also consider a tool built for advisors that helps you with Step 3.

Advisors Using Encore Experience

25% Growth in Planning Revenue

80% See an Increase in Referrals

35% Discover New Assets

46% See Increased Client Retention

Step 5: Nail Down Your Process

You can come up with your own process, or adopt this one:

1. Announce your estate planning capabilities to clients.
2. Explain how you charge for the work you do.
3. Explain what your firm will do from start to finish.
- 4A. Assuming they have an estate plan, ask clients if their plans are up to date.
- 4B. If they don't have a plan, then put your financial therapist hat on to guide them in making that plan ASAP.

Step 6: Drink Your Own Champagne

Run through your entire estate planning process from start to finish to see what it's really like for clients. Doing so helps you smooth out speed bumps in your estate planning delivery.

Putting It All Together

Once you have your process in place for estate planning, everything else from the people and technology sides of the PPT framework fall into place. ■

Matt Morris is CEO of EncorEstate Plans.

[Learn more at \[encorestateplans.com\]\(https://encorestateplans.com\), \[LinkedIn\]\(#\) and \[X\]\(#\).](#)



Tax Planning Essentials for Long-Term Wealth

By Pete Michel

EMPIRICAL WEALTH MANAGEMENT

In today's complex financial landscape, Empirical believes the best wealth management requires a comprehensive approach. Central to this strategy is a focus on goals-based returns, with custom portfolios that incorporate tax and estate planning into an integrated strategy. This approach offers distinct advantages for investors whose portfolios demand more than the standard “cookie-cutter” solutions common in wealth management.

A key benefit of this method comes when managing concentrated positions with substantial unrealized gains. And with fast-rising equity markets, often concentrated in a small number of high-performing stocks, many investors have seen their net worth surge in recent years. However, this success creates new challenges.

Specifically, while holding onto these stocks can deliver significant gains during market upswings, it also exposes investors to substantial risks. A highly concentrated portfolio may suffer considerable losses if performance trends for these stocks reverse—something many dot-com-era investors remember well. Selling these positions to diversify can incur hefty capital gains taxes, which is often a deterrent despite the familiar “don't let the tax tail wag the investment dog” mantra. As wealth managers, Empirical's role is to provide well-reasoned alternatives that help clients diversify their portfolios without triggering excessive tax bills.

We use several strategies to reduce concentration risk. For many clients, the ideal approach is to build a diversified portfolio around the concentrated position while actively harvesting losses throughout the year to offset gradual reductions in the concentrated asset. Loss harvesting can be executed within accounts or through a long/short fund designed to lower exposure to the concentrated position over time.

In other cases, we employ stock options to create protective collars, allowing clients to hedge risk until a future date—useful for deferring capital gains taxes to the next year. However, the ongoing costs of these options require careful analysis to ensure they align with the client's broader financial strategy.

For eligible clients, exchange funds offer another tax-efficient solution, allowing a tax-free swap of a concentrated stock for a diversified portfolio. While powerful, this tool has high minimum investment thresholds, eligibility criteria, and multi-year holding requirements, limiting its appeal to certain investors.



Donor-Advised Funds (DAFs) provide a tax-efficient method for donating appreciated assets. By contributing to a DAF, investors can deduct the fair market value of the donation (up to 30% of adjusted gross income) and avoid capital gains taxes on the donation. However, once the donation is made, the donor relinquishes control over the contributed assets.

Another option is a Charitable Remainder Trust (CRT), allowing investors to donate appreciated assets, receive an immediate tax deduction, and generate income over time. The trust pays annual income to the donor, and upon termination, the remaining assets go to a charity. As with DAFs, CRTs are irrevocable, so investors need to be comfortable relinquishing control.

Under the 2017 Tax Cuts and Jobs Act, Opportunity Zone Funds allow investors to defer capital gains by reinvesting them in economically distressed areas. These funds offer incentives under the Act, though the benefits are set to expire in 2026 unless new legislation is passed.

Each of these strategies offers distinct benefits and trade-offs. The right choice depends on the investor's financial goals, time horizon, and risk tolerance. ■

Pete Michel is Portfolio Manager / Senior Fixed Income Strategist at Empirical Wealth Management. Empirical specializes in crafting customized, tax-efficient strategies that balance risk and enhance diversification, ensuring each aspect of a client's wealth works in harmony toward long-term success.

Learn more at www.empirical.net, [LinkedIn](#), [Facebook](#) and [X](#).

Important Disclosures | Empirical Wealth Management



The Lifecycle of a Financial Advisor: Navigating Pain Points for Success

By Frank LaRosa

ELITE CONSULTING PARTNERS

The career of a financial advisor is anything but static. It's a dynamic journey marked by distinct phases, each bringing unique challenges and opportunities that underscore the importance of adaptability and strategic foresight. To succeed, advisors must continuously adapt, evolve, and deploy strategies tailored to the pain points that emerge throughout their careers.

Phase One: Laying the Foundation for Success

The first stage of a financial advisor's career is all about building a solid foundation. Without brand visibility and credibility, it becomes tough to bring in clients. That is why marketing is your most important tool in this phase. Establishing a strong online presence, networking effectively, and sharing insights through content will position you as a trusted professional. Clients need to see value in what you bring to the table.

Phase Two: Growing Your Practice

As your practice matures, growth becomes the focus. You'll need to attract more clients, expand your services, and possibly build a team. However, scaling without proper organization can lead to inefficiency and missed opportunities.

To grow effectively, invest in systems that keep your operations running smoothly. Scalable technology integrations, like database management software and CRM systems, ensure you can handle increased demand without losing control. These tools help maintain consistency and free up your time for strategic tasks like client acquisition and relationship management. Remember, successful growth isn't just about bringing in more clients. It's about creating a structure that supports both you and your clients as your practice expands.

Phase Three: Business Optimization and Maturity

Once your practice is stable, the focus shifts to improving efficiency and maximizing profitability. This stage is about refining what you've built to deliver better results for your clients and your business.

For many advisors, this is the time to reassess their business model. Are you at the right firm? Does your current setup align with your long-term goals? Some advisors find that a move—either to independence or a firm that better supports their vision—can unlock new opportunities and growth potential.



Phase Four: The Legacy of Your Practice

Every career reaches a point where it's time to think about the future. For financial advisors, this means planning for succession.

Start early. Identify potential successors, whether it's a team member or an external buyer. Create a plan to ensure your clients are well-supported during and after the transition. A strong succession plan protects the relationships and value you've worked so hard to build over your career.

A financial advisor's career is a journey of continuous change. Each stage—foundation, growth, optimization, and legacy—comes with its own challenges and requires specific strategies. By focusing on marketing, using tools to manage growth, optimizing your business, and planning for succession, you can build a successful and sustainable career.

Success doesn't just happen—it's the result of having a plan and making the right decisions at every stage. ■

Frank LaRosa is the CEO and Founder of Elite Consulting Partners, a premier consulting firm specializing in helping financial advisors and firms achieve their strategic goals. Through tailored guidance on business optimization, transitions, and succession planning, Elite Consulting Partners has become a trusted ally in shaping the future of the financial services industry.

Learn more at www.eliteconsultingpartners.com, [LinkedIn](#), [Facebook](#), [Instagram](#) and [YouTube](#).



ELITE CONSULTING PARTNERS
Understanding Your Needs and Delivering Results

Where Will AI Go Next?

By Kyle Blair
EGNYTE

Over the last few years, artificial intelligence has transformed the business landscape by automating manual processes, elevating customer experience, and improving data analytics and insights. Egnyte's recent ["2024 Financial Services Market Report"](#) polled over 300 financial services industry leaders about how they incorporate technology into their business and found that 75% of firms leverage generative AI to improve customer experiences. Integrating AI into business processes evolved from a promising concept to a critical tool for staying competitive in a digital world where customers expect seamless access to information and communication around the clock.

Where Has AI Gained Traction?

One of the most significant opportunities for AI to transform business for wealth management firms, especially smaller firms, is with 24/7 customer service. Generative AI can allow your customers to receive personalized responses at the drop of a hat without waiting for regular business hours or sitting on hold while an advisor combs through their data. AI will continue transforming customer experience behind the scenes by conducting identity verifications, initial document analysis, and fraud detection.

AI has been transformative in synthesizing large data sets for improved decision-making processes. According to the survey, 82% of organizations have already incorporated AI analytics for strategic decision making into their business processes in some way. This will only continue to grow in the future. Whether it's large data sets reflecting overall firm performance or combing through a client's portfolio, AI saves a firm time and money by performing these analyses in a fraction of the time it would take a human to do the same task.

The Ground Left to Cover

In order to harness the power of AI properly, financial services firms must first ensure these models are trained on quality data. Before further incorporating AI into your business practices, your firm must ensure its data set is complete, clean, and secure. Data needs to be readily accessible to the individuals who need it without giving access to unauthorized internal or external stakeholders.

AI regulation is a significant area to watch in 2025 as a new Congress and administration come into session in late



January. Concerns around regulatory guidance on technology are not unique to novel technologies like AI. Egnyte's report found that 86% of firms would use more generative AI if regulatory guidance were provided, and overall, 67% of firms experience hesitancy to adopt *any* new technology due to regulatory uncertainties. Many existing regulations regarding technology are outdated, especially for a novel technology like generative AI. Bills like the "Unleashing AI Innovation in Financial Services Act, S. 4951, 118th Cong. (2023)" aim to encourage AI innovation by establishing regulatory sandboxes that enable firms to test AI projects responsibly.

AI-powered solutions will continue to make their way into more corners of business in 2025. The industry has already started harnessing AI for everything from predictive analytics to fraud detection and 24/7 client communication. While there remain questions around regulation, Congress and the incoming administration have expressed interest in fostering AI innovation by carving out regulatory guidelines to encourage responsible experimentation.

Access the full 2024 Financial Services Market Report [here](#). ■

Kyle Blair is Director of Financial Services at Egnyte.

Learn more at www.egnyte.com and [LinkedIn](#).



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Igniting Growth: Serving Next-Gen Investors Through Strategic Partnerships

By Adam Dell
DOMAIN MONEY

In the coming year, many RIAs will seek opportunities to help their advisors bridge the accessibility gap between the mass-affluent and emerging clients, currently unable to meet minimum required assets under management (AUM) thresholds. With [declining organic growth](#), an unfolding [wealth transfer](#) and a worsening [advisor shortage](#), there is a compelling case for financial planners to expand their service footprint. Those able to engage next-gen prospects such as HENRYs (High Earners, Not Rich Yet) will likely better position themselves for sustained success.

Modern AI-powered financial planning solutions can enable advisors to generate actionable insights for clients, giving them specific 'to-dos' based on their stated goals. Leveraging a digital on-boarding solution and proprietary AI-powered insights methodology, such as [Domain Money](#), can turn a client's raw financial documents into a comprehensive financial plan complete with personalized insights, in a fraction of the time it takes traditional human advisors to do the same.

This solution generates a complete view of a client's financial life, including an interactive model that maps out progress towards goals such as retirement, buying a house and education planning. With features like financial snapshots, concise one-page-plans and direct messaging to advisors via a client portal, RIAs can profitably deliver highly personalized guidance to HENRYs.

Centralizing Operations and Generating Cost Savings

Adopting a modern next-gen financial planning solution does more than allow advisors to effectively serve a more socioeconomically diverse clientele. It can also lessen the impact of some of the industry's most pressing issues.

Addressing Opportunities

Considering the average [advisor age](#) is 51 and the average [client age](#) is 60, time is of the essence for industry professionals to plan for their future viability. Already faced with [declining organic growth](#), wealth managers need to attract new, younger clients while maintaining service to their core affluent clients. The transpiring wealth transfer warrants prompt action to engage next-generation prospects before the opportunity is lost. Passively waiting for this cohort to proactively



seek advice could prove risky, as many may perceive financial planning as out of reach until their net worth grows.

By removing [barriers](#) to advisory support for emerging investors, financial planners can cultivate relationships that evolve through each stage of the client's financial journey, from wealth building to asset management and distribution.

Creating a Competitive Advantage

RIAs that offer efficiently packaged next-gen advisory services are poised to deliver added value to their clients. Acting as a bridge to the right tech platforms, they enable wealth managers to integrate interactive financial planning tools, seamlessly expanding their client base under a unified brand.

With numerous potential advantages and much at stake, ignoring the compelling rationale for using capable tech solutions to serve a broader client base in the presence of a viable solution could prove unnecessarily costly for financial planners and RIA alike. ■

Adam Dell is Founder and CEO of [Domain Money](#), a leading flat-fee financial planning platform.

Learn more at www.DomainMoney.com, [LinkedIn](#), [Facebook](#) and [Instagram](#).



Have Yields Peaked for Private Credit? It Depends

As interest rates decline from recent highs, strategically positioned real estate private credit investors could stand to benefit

By Nick Stonestreet

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The past few years have been a boon for private credit managers. Between 2022 and 2024, rising interest rates allowed many private credit firms to capitalize on higher yields and heightened investor expectations. However, as the Federal Reserve pivots towards a more accommodative monetary policy, private credit firms may experience material changes in performance, credit quality, and interest rate exposure. Now could be the right time for investors to reposition their current allocations for the changes ahead.

For context, interest rates have experienced significant volatility in the recent past. After maintaining a zero interest rate policy for nearly two years following the coronavirus pandemic, the Federal Reserve began its most aggressive

tightening cycle in U.S. history. Between March 2022 and August 2023, the Fed hiked rates by a total of 5% across 11 separate occasions to a peak range of 5.25%–5.50%.¹

When looking at the real estate market in particular, the 10-year Treasury Note, a term closely correlated with mortgage interest rates, yields roughly 4.4% today.² At the same time, real estate interest rates decoupled from corporate rates in a way not seen in over 20 years. For reference, commercial mortgages yield about 150 basis points more than publicly-traded corporate bonds of similar credit quality. With maturities ranging between 7 and 10 years, this means there is significant duration mismatch between the two asset subclasses.

In a reversal of prior actions, the Fed slashed interest rates

Mortgage Rates and Treasury Yields



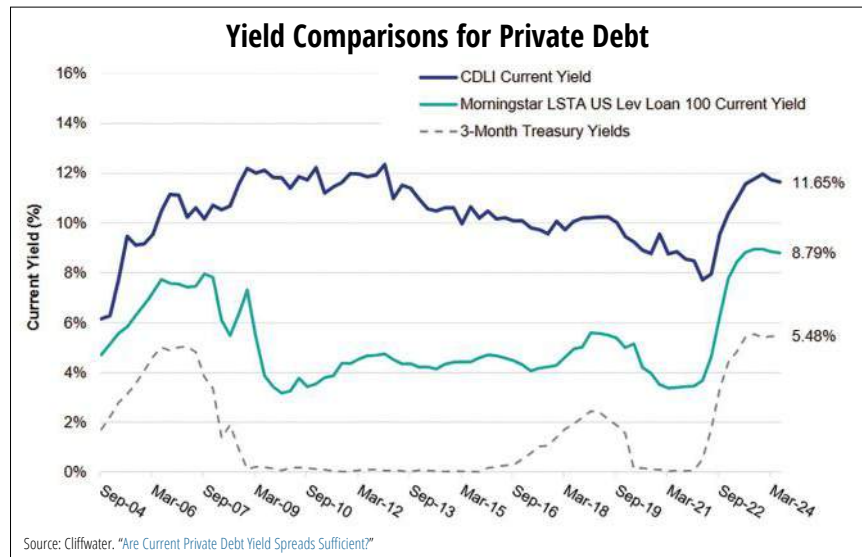
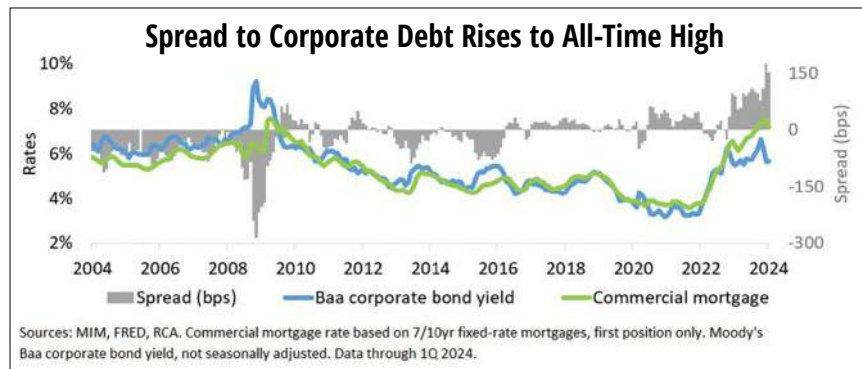
Source: FRED and author's calculations.

by 50 basis points in September 2024—the central bank's first rate cut in four and a half years.³ Committee members expect rates to gradually decline to 3.25%-3.50% by the end of 2025, a level on par with those most recently experienced in October 2022.

This inflection point in interest rates may create new winners and losers in the near future.

- Floating rate strategies may struggle to deliver the same performance of recent years. As interest rates decline, funds that invest in floating-rate debt, such as those tied to SOFR or Treasury rates, could experience impaired yields and performance. This is because their lending revenue is linked directly to these benchmark rates, which are slated to decline. While this trend could help borrowers, asset managers may be forced to reach for higher yield by assuming higher leverage or greater credit risk.
- Fixed rate strategies can flourish, especially if leveraged to floating rate borrowing. Fixed-rate strategies, which offer consistent returns across interest rate regimes, can benefit from a declining rate environment. In particular, funds that borrow at floating rates and lend at fixed rates can profit from the interest rate spread, which widens as rates decrease.
- Credit exposures to real estate should outperform corporate investments. Real estate credit strategies, particularly those focused on industrial and residential properties, should fare well relative to corporate credit strategies. As inflation and construction costs level off, the 150 basis point spread differential between mortgage and corporate yields may tighten—a tailwind for real estate private credit funds.

Now could be the right time for investors to reposition their current allocations for the changes ahead.



Historically, declining interest rate environments have been favorable to funds that lend at fixed and borrow at floating rates. Add in a rebounding real estate market, these strategies could be well-positioned to outperform going forward, especially relative to floating rate funds and corporate credit assets. ■

Nick Stonestreet is President of Financial Services at DLP Capital.

Learn more at [DLPCAPITAL.COM](https://dlpcapital.com) and [LinkedIn](#).

- TheStreet, "A timeline of the Fed's '22-'23 rate hikes & what caused them."
- Federal Reserve Bank of St. Louis, "Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity, Quoted on an Investment Basis."
- International Banker, "The Fed Has Finally Cut Its Rate—Now What?"



Advising the Modern Philanthropic Client

By Dien Yuen and Tony Macklin

DAYLIGHT

We face the greatest generational wealth transfer in history as Baby Boomers transition from wealth accumulation to retirement. In the U.S., older generations will transfer **\$124 trillion by 2048**. About half will first go to spouses, mostly widows, and then most will go to younger generations. Around \$18 trillion will be donated to charities.

Many clients want to help solve the complex challenges they see in their communities and worldwide, including climate change effects and disparities in housing, economic mobility, health, and education.

The inheritors—women and younger generations—want to use a bigger social impact toolkit to solve those challenges. In addition to charitable giving, they'll be more likely to use their **investments and voices as activists and shoppers**. They'll be more likely to start purpose-led businesses. And, they'll create or inherit access to vehicles such as donor-advised funds and family foundations.

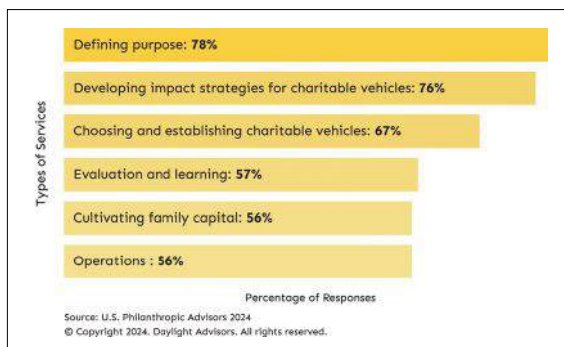
The New Opportunity for Advisors

Older generations want advisors who can take them from “**success to significance**” in their lives and in their philanthropy. Inheritors will need advisors who can think holistically about social impact. Their **advisors are second** only to a spouse or partner as the most valuable source of information about philanthropy.

As an advisor, you are uniquely positioned to help clients purposefully and effectively deploy their financial, human, social, intellectual, and moral or spiritual **capitals**. But how will you navigate this dynamic social impact landscape and the changing expectations of a more diverse client base?

Answering the evolving market demand requires a more contemporary approach to philanthropic advising. It starts with bringing a combination of heart and head to the conversations. Clients will expect help in discerning their motivations, values, vision, and goals to make a difference in the lives of others.

Clients will then seek help exploring the broader toolkit of possibilities to deliver the social impact they desire. That toolkit starts with up-to-date technical knowledge of charitable giving tools and acumen in deciding when and how best to use them within various tax, estate, and financial planning strategies. Beyond that, they may seek help in related domains of family governance and next-generation engagement,



creating philanthropic strategies that might include impact investments or advocacy and assessing their impact.

How Will You Grow Your Philanthropic Advising Competencies?

The new philanthropic advising roles will require confidence and competence with the broader social impact toolkit. They will also require the trust necessary to respectfully challenge clients, prompting deeper thinking about their values and social responsibility.

Earlier this year, **Daylight** shared the most **comprehensive study** of philanthropy advisors—anyone involved in navigating the who, what, why, and how of using resources for philanthropy and social impact, either as a full-time job or as part of their role as a wealth advisor, estate planner, or other professional. The report outlines the tools and capabilities contemporary advisors are bringing to clients. It also informs our development of **new certification** programs in philanthropic advising.

You can be an indispensable partner in expanding your clients' access to philanthropic advice, whether from you, others in your firm, or the growing number of specialists. As you start a new year, we encourage you to answer these questions:

- What new questions can I ask clients about generosity, purpose, and impact?
- What new philanthropic advising competencies should I develop to lean into what clients will need next?
- What specialists will my clients need in the next three years, and do I have enough qualified referrals to provide? ■

Dien Yuen is CEO and Tony Macklin is Director of Advisor Practice at Daylight.

Learn more at daylightadvisors.com, [LinkedIn](#), [Instagram](#), and [bsky.social](#).

Daylight

Opportunity in \$1.6 Trillion of Real Estate Debt Maturities

By Anthony DellaPelle

THE COUNSELORS OF REAL ESTATE

The real estate industry isn't making much of a dent in clearing its mountain of looming debt maturities. According to Trepp, nearly \$1.8 trillion in commercial real estate loans are set to mature before the end of 2026. Lenders are doing their best to postpone maturing debt with extensions and modifications.

Many of the loans that were set to mature in 2023 were extended into 2024 and beyond, and loans maturing in 2024 are being extended out to 2025. The hope is that conditions will shift to relieve some of the pressure on liquidity, whether it's lower interest rates, fresh equity capital, or improving net operating income (NOI) performance.

At some point, the ability to push maturities out is going to hit a wall. If, or more likely, when it does, lenders are going to be facing a higher volume of loans that will be more challenging to clear. The banks hold a significant proportion of that debt and have limited flexibility in what they can do about it because of regulatory oversight. Banks are not going to be able to continue to extend loans without sufficient capital reserves behind it.

Climbing Out of a Deep Hole

Following the half point rate cut in September and quarter point rate cut from November, baseline forecasts from economists are for the federal funds rate to decline from a 23-year high of 5.25–5.50% to settle at 3.5 to 4.0% by the end of 2025. While that can change with shifts in economic conditions and government policy, there is no indication that rates will approach the recent lows of the last four years.

Either way, it is still significantly higher for those borrowers who were buying property at sub-4% cap rates and putting debt on property when rates were approaching zero. Borrowers with near-term maturities are looking at new debt service payments that, for many, could be as much as 75% to even 100% higher than their prior loan.



Borrowers with near-term maturities are looking at new debt service payments that, for many, could be as much as 75% to even 100% higher than their prior loan. Debt cost “on steroids” also pushed values up, which makes it more difficult to refinance as values reset at lower levels. Even if interest rates do come down as presently forecast, it may not be enough for those borrowers facing maturity balances that are too high to refinance. The outcome is likely to result in a shake-out among weaker operators and those owners that are not well capitalized.

Buyers Wait for Distress

Buyers and sellers are still in a standoff when it comes to asset

prices. Sellers don't want to take a loss unless they must, and buyers are still wary of overpaying for assets in a market where interest rates are higher, and growth and income could decline. However, the big wave of loan maturities could narrow the pricing gap between buyer and seller expectations.

Owners facing a costly refinance will have to make some tough decisions, and there is a lot of capital on the sidelines that could begin to move more aggressively depending on the asset. Other variables that could help to narrow the gap are a decline in interest rates, as many hope, or a reacceleration of rent growth, which will likely result in investors being a little more willing to take risks. ■

Anthony DellaPelle, Esq.,[®] is Global Chair of the Counselors of Real Estate[®].

Learn more at cre.org, [LinkedIn](#) and [Facebook](#).

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Renewed Opportunity Ahead for Commercial Real Estate Investment

By David Boyd

CORFAC INTERNATIONAL

As 2025 starts, the commercial real estate investment outlook is one of growing clarity, continued stabilization, and increased opportunity. Interest rates are double 2019 rates, but they have declined from the recent peak and additional cuts are expected in 2025. Renewed demand for new projects comes from equity investors who have picked back up their pencils. Post-election we no longer face the threat of increased capital gains taxes and may see tax cuts in other areas that lead to business expansion. These factors will drive increased commercial real estate deal flow in the year ahead.

Over the past year most CRE sectors have experienced headwinds to varying degrees. Industrial vacancies are up nationally, and effective rents are flat or down, albeit from all-time highs in 2022 and 2023. Deliveries of new speculative ecommerce and logistics space outpaced the demand across the country, and some major West Coast markets experienced significant negative absorption as importers and distributors normalized their inventories to post-pandemic levels.

We should see industrial vacancy peak early in 2025 then tenant demand will likely recover. The potential for new tariffs and an impending trade war may have mixed impacts on logistics, but it should drive some new industrial demand as importers and distributors stockpile inventory.

Nationally, the office market vacancy rate increased last year and will likely continue to do so throughout 2025. Hybrid work has reduced the size requirements of many office tenants. Expect distress in older buildings as owners struggle to cover their debt service on reduced cash flows or can't afford the cost of upgrades and renovations to lure new tenants. A bright spot of activity will be amenity-rich new developments and live/work/play environments that help attract employees.

Luxury lifestyle-oriented offices will command premium rental rates as many major occupiers flock to quality. This will result in opportunities for investors to repurpose older properties into residential or mixed-use projects.

Despite an increase in store closures, retail bankruptcies, and ecommerce competition, retail remained surprisingly strong through 2024 and will continue the trend in 2025. Vacancy rates nationally remain under 5%. The high price and lack of well-located land coupled with today's inflated construction costs make it difficult to underwrite new construction. This will keep vacancy rates low, bolster rents in



primary trade areas, and provide stability to shopping centers located in infill areas. Traditional malls will continue to decline with some near population centers being demolished and replaced with last-mile industrial.

Things to watch in 2025 include a high demand for new data centers to process the AI revolution. They are difficult to build because of the large power and water requirements, but have grown into a major asset class. The strong multifamily market will be further driven by a single-family home affordability crisis occurring in many major markets. Technology innovations will have significant impacts on many aspects of commercial property ownership and operations. Smart buildings will prove more energy efficient and allow for better tenant management. Data analytics and AI will help investors and building managers make better decisions including predictive deal making and optimized operations resulting in more cash flow to the bottom line. ■

David Boyd, CCIM, SIOR, is Managing Principal with Boyd Commercial/CORFAC International in Houston and 2024 President of CORFAC International, the premier network for independent CRE brokerage firms with more than 75 offices worldwide. An expert in industrial real estate, David focuses on user and investment sales, landlord and tenant representation, site acquisitions and land sales.

Learn more at www.corfac.com, [LinkedIn](#), [Facebook](#) and [IG](#).



Artificial Intelligence is Democratizing Financial Advice and Enabling Advisors to Scale

By Ken Lotocki

CONQUEST PLANNING

Not long ago, sound financial advice was seen as the purview of the wealthy. This was because high-net worth (HNW) individuals constituted the most profitable segment for financial institutions, and thus advice and products were tailored accordingly. This created the perception that advice was reserved for the wealthy. Retail investors had been historically underserved, often left to go it alone when it came to pursuing their financial goals. This typically meant turning to robo-advice or basic financial calculators.

However, recent advancements in artificial intelligence (AI) are helping to **democratize access** by introducing efficiencies that help advisors to expand their reach and make the servicing of mass market/mass affluent clientele more profitable. AI-powered solutions, including expert systems and generative/predictive AI, are enabling a diverse range of clients—from meme stock investors to affluent individuals—to receive personalized financial guidance, empowering more people to reach their money goals.

However, as more investors seek financial advice, it has only compounded the advisor's "time crunch," making it increasingly difficult to scale their practices. As recently as **2019**, advisors were averaging 10 hours to construct a single plan, not counting the additional time spent on counseling clients over the course of the year. Innovative AI-powered tools can significantly reduce the time required to craft plans, empowering advisors to generate flexible, personalized financial strategies quickly. As a client's life circumstances evolve, AI can rapidly adapt the plan to reflect changing goals or risk tolerances, helping to ensure that they remain relevant and actionable.

But AI's increasing presence in the industry isn't just a technological upgrade that can alleviate the burden of time-consuming tasks for advisors; it can deepen the advisor/client relationship as well. AI solutions can quickly analyze complex datasets and simulate various financial scenarios, enabling advisors to deliver hyper-personalized advice with greater efficiency. Decisions about the client's situation tend to be better informed, enhancing the effectiveness of the strategies being implemented and potentially elevating client satisfaction. Whether advising on retirement, healthcare, tax implications or college planning, AI can provide better insights and deliver actionable insights in minutes, adapting to the unique factors impacting an individual's situation.



AI as a Partner, Not a Replacement

While some may harbor fears that AI will ultimately replace human advisors, the reality is quite the opposite. The integration of AI is fundamentally about augmenting human capabilities. By automating routine tasks and furnishing real-time analytical insights, advisors can devote more attention to cultivating client relationships and addressing their distinct needs. This can potentially help differentiate a practice from less forward-thinking firms.

Despite the anxieties that AI can conjure up, these solutions are revolutionizing the financial advice industry by making bespoke planning more accessible than ever, bolstering an advisor's expertise rather than replacing it. In 2025 and beyond, the incorporation of AI into advanced planning tools will enable advisors and their clients to access more personalized and adaptable financial advice than ever before. Those that embrace these tools will help to define the future of the industry. AI is only as good as its application, after all. ■

*Ken Lotocki, Chief Product Officer and Co-founder of **Conquest Planning**, a disruptive, non-traditional financial advice delivery platform that leverages AI to help build personalized, dynamic plans at scale across the entire wealth continuum.*

Learn more at www.conquestplanning.com.



Understanding Private Infrastructure Investing

By Mark Gatto

CION INVESTMENTS

Today's individual investors

have different goals and timelines for achieving them than previous generations. Younger investors want to retire sooner, have more flexibility throughout their working lives, and are more aware of the options available to them. Investors are beginning to expect more for their portfolios, and financial advisors are looking to private markets to complement traditional stock and bond portfolios with the potential for greater diversification, lower volatility, and enhanced returns.

Infrastructure is a foundational component of our society and our economy, but as an asset class, private infrastructure investing is relatively new in the context of alternative strategies. Advisors and investors would be well served to understand the characteristics of the asset class, the factors shaping the growth opportunity, and the qualities necessary to succeed as a manager in the space.

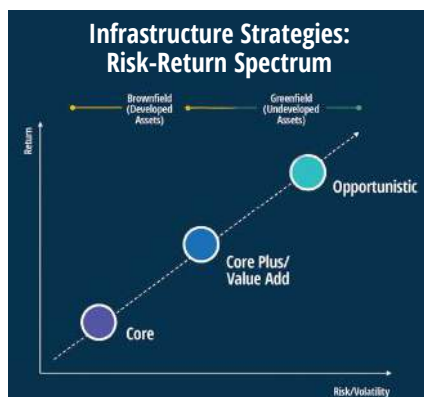
Private Infrastructure Sectors and Characteristics

Infrastructure assets encompass both traditional sectors that have long been part of the fabric of daily life, and new sectors that have emerged due to technological advances over recent decades. Examples of traditional infrastructure sectors include Transportation, such as airports and toll roads, Digital assets like data centers and cell towers, and Energy, which covers things like power generation, electric transmission lines, water and wastewater. New infrastructure sectors include Supply Chains & Logistics, expanding the infrastructure asset set to ports, shipping and warehouses.

These assets share specific characteristics. They are tangible, physical assets that provide essential services. They tend to have transparent cash flows, and the expense, timeline and often rigorous permitting or approval process to build them creates high barriers to entry, allowing these assets to hold value. In addition, they are often governed by long-term contracts that include inflation provisions, which may provide a degree of inflation protection.

What Is Driving the Growth Opportunity?

A growing population, increased demand for new forms of



energy, and enhanced technology are driving change across multiple sectors. This trend is expected to accelerate in the next several decades. Transforming transportation, digital assets, energy and utilities and related infrastructure to meet this challenge will require an immense commitment

of both government and private spending. According to McKinsey & Co., \$3.3 trillion globally is projected to be needed for annual infrastructure investment through 2030 to support expected global growth rates.

Public investment is falling short, and governments are divesting public assets and spurring private investment through public/private partnerships. Corporations that provide critical infrastructure are facing funding gaps and are also increasingly turning to private partners.

How Can Individual Investors Access Private Infrastructure?

Incorporating private infrastructure into a portfolio requires the right investment product structure and an experienced manager. An interval fund structure can help marry the needs of the manager in executing on long-term investments while providing investors with periodic access to capital. Among certain other advantages, interval funds offer limited liquidity, at regular intervals which are generally every 3, 6, 9 or 12 months.

Effectively managing infrastructure assets requires the ability to source, diligence and select high quality deals that can meet desired risk/return criteria. Experience counts, and a manager with a long history, strong track record, and a wealth of relationships that can provide flexible sourcing is best positioned to succeed. ■

Mark Gatto is Co-Founder and Co-CEO of CION Investments.

Learn more at cioninvestments.com and [LinkedIn](#). Listen to [Advisor Lab](#), our advisor-focused podcast, on [Spotify](#) and [Apple Podcasts](#).



2025 Outlook—We Remain Optimistic

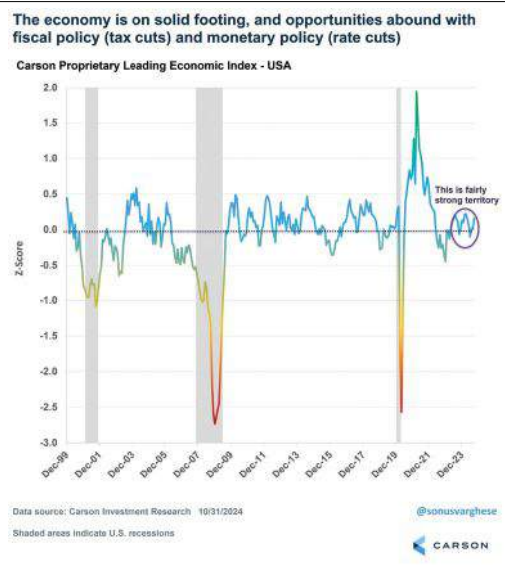
By Carson Investment Research Team
CARSON GROUP

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The U.S. economy has just seen two solid years of growth, with real GDP growth rising close to 3% and markets gaining over 20% in back-to-back years. Things played out as we expected. We went against the trend of widespread recession calls and remained overweight stocks since late 2022. But what lies ahead? Our proprietary leading economic index for the U.S. never pointed to recession over the last two years, and it's still in strong territory. With the economy on solid footing and strong profit growth likely to broaden out, we remain optimistic going into 2025. Our positive outlook for 2025 does not mean there are no risks around the corner. In fact, there are several concerns, but there are also opportunities that could provide a steady tailwind for markets and the economy.

Let's start with policy opportunities. Markets anticipate a combination of fiscal policy support (lower taxes) and monetary policy support (lower interest rates) in 2025 and likely beyond. An easing Fed could help alleviate the pressure high rates have put on more cyclical economic sectors. Tax policy, including renewal of the 2017 tax cuts and potential reduction of the corporate tax rate even further, could be another tailwind. If "don't fight the Fed" is generally sage advice, "don't fight the Fed and Congress" is likely even more so.

The foundation of U.S. economic strength really comes from aggregate income growth. Economic growth over the last two years was driven by income-fueled consumer spending, and there's good reason to believe that will continue. Strong wage growth can continue to support aggregate income growth, even as job growth slows to a more normal monthly pace of 150,000-200,000. Household balance sheets are also in really good shape. This has come on the back of rising home prices and stock prices, and it also gives households room to maintain consumption. Productivity growth is also running higher than what we saw over the past



decade, allowing wage growth to remain strong even as inflation pulls back. As long as the U.S. avoids a recession, this dynamic is likely to remain in place.

Still, we believe elevated interest rates, even in the face of Federal Reserve cuts, are a big risk to the economy. Higher rates are a function of stronger growth expectations, but it's already hurting sectors like housing, manufacturing and investment spending. Residential investment is a key cyclical piece of the economy that has been dragging on GDP growth recently. By itself, housing may not pull the economy into a recession, but it could make other areas of the

economy more vulnerable to weakness.

The main threat to the economy, in our opinion, comes from tariffs and a trade war if other countries reciprocate, but at this point, there's a lot of uncertainty around this. Contrary to wide perception, we are skeptical tariffs will boost inflation immediately, as there are several disinflationary trends in the pipeline for 2025, including shelter.

Overall, economic strength outweighs areas of weakness, and the opportunities likely have a higher probability of coming to fruition than the threats. The balance predicts low double-digit returns for the S&P 500. Equities currently have strong momentum going into 2025, but it may not be smooth sailing while Congress and the new administration work out policy changes. Bonds may simply hold serve in 2025, with most of the return coming from the yield, even as they get whipsawed by policy uncertainty. ■

Learn more at www.carsongroup.com, [LinkedIn](#), [Facebook](#) and [Instagram](#).



CARSON

Tax-Individualized Investing: Future of Bond Portfolio Management

By Eric Golden

CANOPY CAPITAL

Building fixed-income portfolios tailored to the unique needs of high-net-worth (HNW) and ultra-high-net-worth (UHNW) investors has long been a challenge for advisors. Unlike equities, where the rise of direct indexing has enabled significant personalization and tax optimization benefits for clients, fixed-income investing has remained a complex and relatively stagnant sector in comparison.

Equity portfolios have undergone a shift over the past couple of decades, away from high-cost, alpha-seeking strategies, toward low-cost, passive investments. This evolution has driven increased demand by investors for more personalized and tax-optimized portfolios—and was largely driven by advances in technology, enabling tax-efficient direct indexing for stocks. Clients now expect bespoke equity portfolios that reflect their individual circumstances, optimized for both tax efficiency, risk tolerance and personal financial goals.

The fixed income market has lagged behind equities for decades. Why? The intricacies of bond markets, including their over-the-counter nature, large number of securities and varied tax implications, have made it challenging and time-consuming to offer individualized solutions at scale. The future of bond portfolio management lies in tax-individualized investing, a revolutionary approach that leverages technology to actively invest across multiple, complicated fixed-income asset classes within a single portfolio. The technology enables personalization of portfolios based on each investor's tax profile and financial objectives, in order to maximize after-tax return.

The central thesis at the heart of tax-individualized investing is simple—each client's tax situation should drive which fixed income instruments are held within portfolios, versus an "all-in-one" or vanilla approach. Theoretically speaking, all HNW and UHNW investors' bond portfolios *should not* look alike. For example, while the traditional solution for clients in higher tax brackets has been to embrace tax-exempt municipal bonds, some might benefit more from adding corporate or Treasury bonds over time, based on market conditions, individual tax implication and goals. Advisors can now tailor the entire portfolio to maximize after-tax returns across multiple fixed-income asset classes, which requires a deep understanding of each investor's financial situation.



Until recently, the inherent complexities of bonds made tax-individualized investing impractical for advisors. The number of variables involved—ranging from different bond structures and maturities to fluctuating tax policies for each—requires continuous, advanced computations to ensure an optimized portfolio. Utilizing the right technology can empower advisors to overcome obstacles by leveraging automated systems that can quickly parse a client's tax situation, risk tolerance, and financial goals to build and optimally manage bond portfolios at scale.

The Path Forward

Forward-thinking advisors serving HNW and UHNW clients are recognizing that tax-individualized investing is a "must-have" when it comes to managing bond portfolios. Advisors who continue to rely on one-size-fits-all solutions for fixed-income portfolios risk becoming stuck with products that are quickly becoming proverbial dinosaurs. Personalization and tax optimization for bonds is the future, and with the right tools, it's now possible to deliver customized portfolios at scale that maximize after-tax returns for every client's unique situation. ■

Eric Golden, CFA, is Founder and Chief Executive Officer at Canopy.

Learn more at www.canopycapital.com.



Preparing for the Unexpected: Five Key Strategies for Your Clients

By Myles J. McHale, Jr.

CANNON FINANCIAL INSTITUTE

Now that we are approaching the end of the year, there's no shortage of articles focusing on elections, holiday shopping or a multitude of New York resolution to do-lists. While these topics are of interest to many people, I would urge every financial advisor to start educating clients on disaster preparedness. After all, recent hurricanes and wildfires serve as reminders that timely preparation is key and can prevent potentially devastating consequences—both financial and emotional. To quote the Lion King in a deep baritone voice, "Be Prepared!"

As a financial advisor, your genuine care and thoughtful conversations can guide clients through tough times. Beyond finances, you can help them navigate the uncertainties of climate-related challenges that impact their homes, daily routines and above all, their loved ones.

Here are five non-financial ways you can help clients brace up for life-changing events and prevail in any situation—no matter how challenging.

1. What's the Plan?

It's crucial to have a solid plan in place before emergencies arise. Urge clients to gather estate documents, update beneficiary forms and complete trusted contact forms to avoid last-minute stress. For clients with elderly parents, it's important to identify family or friends in safer areas for future evacuation. Assess whether they should drive or take a flight, and if there is potential shelter nearby. Recent events in Florida demonstrated how quickly highways can become jammed and flights can be canceled—often just 24 to 48 hours before a storm. Remember: waiting until the last minute to "get out of Dodge" can be risky and irresponsible. While property and possessions can be replaced, lives cannot.

2. Safeguard Your Clients' Essentials

Documenting and safely storing essential papers is vital. Assist your clients in scanning crucial documents and saving them on a flash drive—preferably with your company logo on it! Furthermore, storing these items in the cloud is a smart move, providing easy access anytime, especially if they need to pick up and leave immediately.

3. Preserve What Counts

Help clients create a visual inventory of their belongings by encouraging them to take a video of everything in their



home. If you have ever been involved in an insurance claim, you realize that the devil is in the details, and this video can be invaluable when filing a claim. Your clients will appreciate this time-saving approach, and you can pitch in to facilitate the process.

4. Trusted Access to Home

Suggest that your clients keep a hidden house key nearby or share the access code with a trusted neighbor or friend. They can even leave it with you if you have a close relationship. This ensures someone can turn off their water or enter their home if they've evacuated and need help upon return.

5. Client Beware

When disaster strikes, scammers inevitably emerge. Sadly, within hours of Hurricane Milton hitting Southwest Florida, fake "hurricane relief" sites started popping up online. I suggest you put together a well-researched list of trusted charities and share it with clients so they can donate safely and avoid potential scams. You can even offer to coordinate these contributions directly and alert your clients to possible red flags. In addition, it's incumbent on every financial advisor to stay one step ahead of scammers, no matter how sophisticated they are. ■

Myles J. McHale, Jr. is a Subject Matter Expert and Adjunct Instructor for Cannon Financial Institute.

Learn more at www.cannonfinancial.com and [LinkedIn](https://www.linkedin.com/company/cannon-financial-institute).



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Category

Corporate Social Responsibility**Winning Initiative****Ignite “Giving Back” Program****Initiative Description**

Cambridge has long believed that stronger communities drive healthier economies and improve lives. The firm’s Ignite ‘Giving Back’ Program was established in 2009 and is one of its core philanthropic initiatives. Every year leading into Ignite, its national conference, Cambridge partners with a nonprofit located in or around the host city and donates to the organization using funds raised during the event. With help from advisors, associates, and partners, Cambridge has raised nearly \$950,000 for more than 15 nonprofits across the country. Fundraising activities at Ignite include a silent auction, social media campaigns, and fun-runs, and members of the firm’s leadership team present a check to the nonprofit organization on the final day of Ignite. Ignite attendees also spend time during the event volunteering with the partner organization: In 2024, associates, executives, and advisors helped pack PowerSacks for Food for Thought Denver, a nonprofit that strives to reduce weekend hunger for children living in the Denver, Colorado area. Through its Ignite ‘Giving Back’ program and other initiatives, Cambridge actively supports communities across the country. Learn more about Cambridge’s philanthropic efforts [here](#).

**Company Profile**

Cambridge Investment Research, Inc. is an independent financial solutions firm serving 3,800 financial professionals across the country. Founded in 1981¹, Cambridge provides a range of solutions in areas such as technology, business growth, consulting, outsourcing, and more. Cambridge has been named a Top Workplace in Iowa 14 times and a Top Workplace USA four times.² The firm operates offices in Fairfield, Iowa and Phoenix, Arizona. Member FINRA/ SIPC

- 1. Cambridge and its predecessor broker-dealer*
- 2. The Top Workplace in Iowa, 2011-2024 and The Top Workplace USA, 2021-2024 recognitions are determined by associate feedback through an anonymous survey conducted by Energage, an independent research company. More information on the methodology to qualify can be found at [Top Workplaces Methodology](#).*

Advising The Next Generation

By Valarie Vest

CAMBRIDGE INVESTMENT RESEARCH, INC.

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The Great Wealth Transfer will result in an unfathomable amount of money changing hands. Estimates upward of \$80 trillion seem only to increase over time. As larger numbers of people are passing along bigger sums of money fueled by a strong stock market, the next generation now has access to more wealth than any other generation in history.

More people will need financial advisory services than in previous generations, and recent studies suggest that most of them have or will establish a relationship with a financial advisor. While some feared technology would replace advisors, the current trends indicate something very different -- 87% of future inheritors plan to have a human advisor when they receive this financial infusion, according to recently published industry reports.¹

There will be a massive demand for advisory services—services that are very different from what previous generations expected.

These new clients—both beneficiaries of the Great Wealth Transfer and those building their wealth organically—want more than assurances they will reach a financial milestone. They want help planning for and achieving a financially sustainable life, and this will take a different kind of financial advisor supported by a different kind of wealth management firm.

However, we cannot ignore the demographic realities of our industry as well. We continue to face a financial advisor shortage across the industry. Far more advisors are considering or reaching retirement than new advisors are joining the profession. While this provides an incredible opportunity for younger, established advisors and those who choose to enter the industry, there will still be a significant shortage of advisors for those potential clients.

The impact of these trends becomes especially acute due to the additional time that this new approach to advisory services demands.

This is where technology can enable a more scalable human-focused approach allowing advisors and wealth management firms to position themselves for success in a more complex and personalized industry.

From the simple application of well-curated CRMs to advanced AI-enabled technologies, the tools available to advisors and firms today put a significant amount of time back into the days of client-facing professionals. Not only will that



allow them more time for one-on-one engagement, but it will also enable advisors to scale their business – taking on more clients even as they increase the time they spend with each one to deliver a personalized financial wellness-based plan.

In our initial rollout of AI-enabled meeting assistants at Cambridge, we have heard reports of advisors saving eight to 10 hours per week by eliminating pre-and post-meeting notetaking and review. Others using similar technology across the industry are now reporting comparable results. It seems clear today that these technologies will only enhance advisors' ability and pose no threat to their core function as trusted professionals for their clients.

Firms of the future are working with advisors to identify the best technology to help advisors make this transition seamlessly and well within the confines of a dynamic regulatory framework.

Advisors best positioned to support these clients will start the evolution today by implementing new technologies and investing in their future.

Take on one technology enhancement in the first quarter of next year to better position yourself for the industry of the future. It's much closer to today than it may seem. ■

Valarie Vest is Executive Vice President and Chief Experience Officer at Cambridge Investment Research, Inc.

Learn more JoinCambridge.com and LinkedIn.

1. Source: Nuveen 2022 Wealth Inheritor Research Study



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Category: Broker-Dealers - 1,000 Advisors or More
Thought Leadership

Winning Initiative

Cambridge Stronger Podcast

Initiative Description

Hosted by Cambridge CEO and Co-Chairman of the Board Amy Webber, the Cambridge Stronger podcast provides a unique platform for independent financial professionals to discuss industry trends while delivering thought leadership and guidance to those considering a career in the business. New episodes are released bi-weekly and feature topics such as business building, growth strategies, technology, recruiting, and more. Embedded within each episode are valuable lessons as Cambridge advisors discuss with Webber the thrill and enjoyment of building a business and serving clients. The podcast is distributed nationally and available on [JoinCambridge.com](https://www.joincambridge.com), Apple Podcasts/iTunes, Google Podcasts, iHeart Radio, Stitcher, and Spotify.



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Tax Policy Uncertainty Creates Incredible Opportunity for Advisors

By Dave Alison

C2P

As we enter a year filled with uncertainty, most Americans will be impacted by a potential shift in the tax landscape. Multiple provisions of the Tax Cuts and Jobs Act, passed under President Donald Trump in 2017, are scheduled to sunset at the end of the 2025. Despite Trump's reelection and his administration's anticipated push to extend these provisions, the possibility of a bipartisan agreement remains uncertain, and that uncertainty creates tremendous opportunity for advisors who are doubling down on tax management.

Financial advisors must now reevaluate the strategies previously implemented to help their clients take advantage of a lower tax environment and determine how to enhance their financial situation based on the potential of the expiring provisions.

Advisors who offer holistic planning have the opportunity to capitalize on these changes. High-net-worth and ultra-high-net-worth clients continue to seek advisors who can offer more than just investment management; they want to ensure they are minimizing their lifetime taxes. Advisors should emphasize their value in their messaging, showcasing their ability to minimize taxes to help clients keep more of their hard-earned savings despite these notable changes:

Tax Bracket Changes

Whether an ultra-high-income earner, a modest-income earner, a retiree, or a business owner, most people will experience higher taxes in 2026 due to changing tax brackets. For example, the 12% tax bracket increases to 15%. The 22% tax bracket increased to 25% and the 25% tax bracket increased to 28%. Not only are the percentage brackets increasing, but so is the income an individual can earn before potentially being in a higher bracket. Advisors have an opportunity to engage with their clients to help manage the impact of these tax changes, including Roth IRA conversions, capital gain harvesting, and strategic retirement account distributions.

Income Deductions

The standard deduction nearly doubled as part of the Tax Cuts and Jobs Act in 2017. This caused most U.S. taxpayers to take the standard deduction instead of itemizing their deductions. Reverting back to the lower level could lead to



more taxpayers to itemize, potentially increasing the complexity of their tax filings and affecting overall deductions.

For business owners, the expiration of the Qualified Business Income deduction is another significant tax

change. Business owners will need to reassess their tax strategies, potentially making decisions now to maximize deductions and take advantage of the current tax environment before the change.

Estate and Gift Tax Exemption Reductions

Perhaps the biggest concern for advisors' high-net-worth clients is the scheduled reduction in the estate and gift tax exemption. Under current law, an individual can pass \$13.61 million (in 2025, \$13.99 million) in assets without triggering federal estate tax. However, this exemption is set to drop to approximately \$7 million for individuals. This change would expose a much larger group of high-net-worth families to estate taxes, making estate planning an essential focus for those with significant assets. Families with estates above the new exemption limits must consider strategies such as trusts, charitable giving, and life insurance to help mitigate tax liabilities.

Tax Planning in 2025

Despite the expiration of these provisions on December 31, 2025, Trump's reelection may influence the trajectory of tax policy and advisors must remain proactive throughout 2025. Advisors who understand the full scope of these tax changes and offer timely, tailored strategies will not only help their clients achieve financial success but also strengthen their role as trusted partners in their clients' journey. ■

Dave Alison is President and Founding Partner of C2P.

Learn more at c2penterprises.com, [LinkedIn](#) and [Facebook](#).



Know Your Numbers: A Data-Driven Approach to Growth

By Matt Seitz
C2P

The saying “what gets measured, gets managed” holds true for financial advisors looking to grow and scale their practices. Oftentimes, tracking the number of leads generated is not enough to determine the success of your efforts. Understanding the cost of acquiring those leads, as well as the time and resources spent on them, provides more helpful insight to optimize your marketing budget. A data-driven process allows you to efficiently allocate resources, refine your processes, and grow your business.

Financial advisors just starting to track their marketing and sales data should begin incrementally. Starting with basic metrics and gradually incorporating more advanced ones over time will help build a data-driven approach to decision-making. As your tracking evolves, we recommend breaking your data into weekly, monthly, and annual segments to develop a scalable framework that drives long-term growth and profitability.

Weekly Metrics

On a weekly basis, use a scorecard to focus on metrics that give you a snapshot of your ongoing performance. Weekly metrics are typically the most granular and focus on short-term efforts. For example, track your new leads, appointments, referrals, and sales qualified leads (SQLs).

SQLs is an important one because not all leads are created equal. Be sure to track how many of the new leads being brought in by marketing are meeting any firm minimums or requirements, so that you know you’re targeting the right audience.

These weekly metrics will help you closely monitor your pipeline, maintaining agility and responsiveness to adjust your marketing efforts as needed.

Monthly Metrics

Utilize a dashboard to track monthly or quarterly metrics that require larger data sets. These metrics, such as cost per acquisition, conversion rates, and assets per new client provide a view of your performance, depicting trends without the day-to-day fluctuations.

The length of your sales cycle should also be tracked to help manage expectations and determine how to improve efficiency by determining how long it takes from initial contact until you convert a new client.



One that you may not be measuring is what we call the “qualified, not interested” bucket for leads who are qualified, but not ready to move forward now. You’ve already spent the time and money to acquire and qualify them, so be sure to keep them on your radar. Nurturing these leads over time can prove to be a valuable part of your long-term marketing strategy.

Annual Metrics

Annual metrics should be tracked over a longer time horizon to provide a comprehensive view of your marketing-sales efforts. Begin with the end in mind and work backward from your revenue goal. How much in new assets do you need to get there? How many new clients to produce that many assets? How many prospects going through the pipeline to result in that many clients? You can see that by continuing that path you can back in very specific goals all the way up to your weekly metrics.

Another annual metric to track is the lifetime value of a client (LTV). LTV measures revenue generated from a client over the duration of their relationship with your business. This helps with future marketing budget allocation by understanding the anticipated return on each new client.

Actionable Insights

When you “know your numbers” you can make data-driven decisions to improve your marketing efforts. A well-defined system for monitoring key metrics helps evaluate the success of your campaigns and ensure your marketing and sales strategies are aligned to drive sustained growth. ■

Matt Seitz is Chief Marketing Officer and Partner of C2P.

Learn more at c2penterprises.com, [LinkedIn](#) and [Facebook](#).



Volatility is Inevitable. Portfolio Stability is Achievable

CALAMOS INVESTMENTS

Over the past few years, the U.S. market has seen a rise in the popularity of Structured Outcome ETFs, primarily composed of ETFs offering partial downside protection (e.g., 10% or 20% buffer) and more recently those offering 100% downside protection. In May 2024, Calamos Investments introduced the world's first suite of ETFs designed to deliver 100% protection and upside participation (to a cap) over a one-year outcome period relative to the S&P 500, Nasdaq 100 or Russell 2000.

Today the entire Structured Outcome ETF space encompasses more than \$50b in assets. While investors can buy and sell a Structured ETF anytime the market is open, ETF issuers, like Calamos, often issue multiple "series" of the same protection level, typically on a monthly cadence, to give investors multiple opportunities to buy in near the beginning of an outcome period so they can achieve the stated protection level and cap rate.

The increasing popularity of these products has led to the development of a ladder approach to Structured Outcome ETFs, offering an even more turnkey approach seeking to mitigate risk and capture growth while maintaining flexibility, liquidity and tax efficiency.

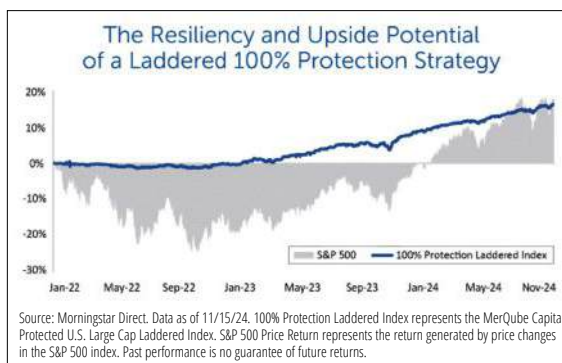
Why a Laddered Approach Makes Sense

Single-Ticker Solution: Investors can access the full suite of 100% downside protection S&P 500 ETFs in a single ticker, enabling a systemic, model-friendly approach to downside-protected investing.

Protected Participation: Delivers attractive upside return potential from underlying exposures to the S&P 500® with downside protection.

Diversified Time Horizons: Owning multiple rolling outcome periods removes timing considerations from picking a monthly entry point. Exposure is thus spread across various market conditions, capturing periods of volatility or growth more effectively.

By adopting these strategies, investors can better navigate volatility and challenges posed by inflation as well as changing interest rates, ensuring a more stable and predictable financial future. As shown in the chart on this page, a ladder S&P 500 Structured Protection strategy has historically minimized drawdowns while participating during market rallies.



Where Do Laddered Strategies Fit In?

As an equity hedge: Many advisors are using laddered strategies to de-risk equity portfolios in an effort to put on a continuous hedge without sacrificing all of the upside potential.

As a fixed income replacement: Trillions of dollars in assets sit in short-term debt instruments. Structured Protection strategies allow investors to obtain similar or better downside risk management than bonds, with meaningfully better upside potential.

To manage balance sheet assets: Many financial professionals operate large balance sheets on behalf of institutions, and desire upside participation but, as a matter of policy, are unable to accept significant balance sheet risk. To that end, institutions are using laddered strategies to access equity-linked upside growth potential, but without taking on outsized balance sheet risk. And the added flexibility and liquidity allow easy access to the institution's capital should the need arise.

As more investors discover the merits of investing in the equity market with built-in protection, we believe the laddered approach will continue to gain traction as an innovative and effective solution that allows for a significantly hedged experience while retaining upside potential in a flexible, liquid and tax-efficient framework. ■

In September 2024, Calamos launched the *Calamos Laddered S&P 500® Structured Alt Protection ETF* (Ticker: CPSL), designed to provide S&P 500® equity market exposure while limiting downside risk through a laddered portfolio of underlying monthly Calamos S&P 500® Structured Alt Protection ETFs.

Learn more at calamos.com.

See disclosures here.

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Optimism for Acquisitions and Debt Markets in 2025

By Shreya Patel

BWE

Over the past few years, uncertainty in the lending market has led to a broader slowdown in the CRE acquisitions market. But in recent weeks, we've seen some signs of change that bode well for 2025.

Banks—traditional lenders for many real estate borrowers looking to make acquisitions—are getting back into the lending game after more than a year on the sidelines. Deals that banks have shied away from over the past several months are not getting two or three aggressive bank quotes.

While banks scaled back, capital flow continued with life insurance companies stepping up to help fill the void. These developments point to new opportunities for investors looking to acquire new properties to add to their portfolio. While the last few years have been tough for buyers and sellers alike, 2025 offers a chance to reverse those trends.

A lot of the pain endured by the real estate sector over the last two years is representative of unexpected changes in the lending environment. For example, banks often insisted on cash deposits to secure loans—often 10-20% of the loan amount. This turned borrowers off from bank lending, resulting in traditional bank borrowers seeking alternative lending solutions.

But now, banks are heading into 2025 with intention, which could mean stricter rules on extensions and payoffs that will allow them to lend more effectively. The ones that were strategic and smart about how they lend are now the most active, offering borrowers the opportunities to get back into the real estate acquisition market.

Although the return of bank lending brings optimism, it's important for wealth managers and investors to approach this environment strategically as well. Even with these new opportunities, you need to be smart about the kind of financing you look for when making an acquisition.

For example, most banks typically require some level of recourse, which allows the bank to pursue a borrower's other assets if they default on the loan. As you approach the debt markets, ask yourself—what's most important to you and your client: non-recourse? Leverage? Flexibility?

No matter what is most important, however, you should cast a wide net for lending options. Different lenders offer different advantages and disadvantages for borrowers



looking to buy new properties or refinance existing debt, and smart advisors will recommend looking at all options available before deciding. At BWE, we always recommend leaving no stone unturned when it comes to finding the best loan terms—it always pays off in the end for the client.

It's also important to plan ahead. If you know you have a deal on the horizon in 2025, you should start tracking lender positions now, so you have ample time to review your options.

Ultimately, everything in the world of commercial real estate is incredibly interconnected, so it's next to impossible to predict exactly what the acquisition markets will hold in 2025. But the return of bank lending is a positive sign, and by being smart and taking advantage of the changing lending headwinds, you can position yourself and your clients for success in the new year. ■

Shreya Patel is Assistant Vice President in BWE's Charlotte, NC office.

Learn more at www.bwe.com and [LinkedIn](#).



Rebalance and Diversify: Staying Strategic in an Evolving Market

By Jasmine Yu

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The U.S. economy is currently experiencing steady growth, with a year-over-year expansion of 2.7%,¹ aligning with historical trends. Key factors driving this growth include capital accumulation, labor input expansion, and technological progress, particularly in artificial intelligence (AI), data centers, and renewable energy. Notably, U.S. productivity has exceeded historical norms, with output per hour rising over 2%, a significant improvement over the 1.5% annual growth between 2007 and 2019.²

U.S. core inflation is now nearing the Fed's 2% target. However, inflation expectations remain above target, with the [University of Michigan](#)³ forecasting a 3.1% average inflation

rate over the next five years. Although unemployment remains low, job growth is slowing, and fewer job openings align with the Fed's strategy of rate cuts to support the labor market.

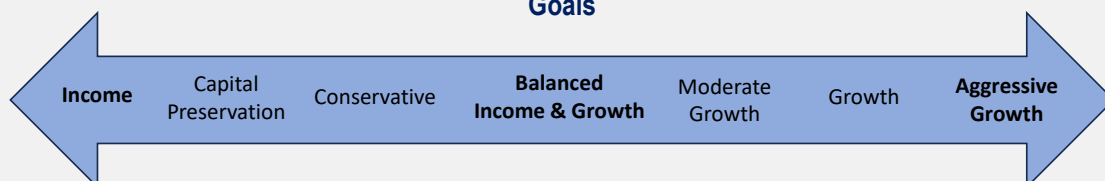
Corporate America is performing well, with 77% of S&P 500 companies surpassing earnings expectations in the third quarter. This positive performance has provided further evidence of the "Goldilocks" scenario, where inflation slows while economic growth remains solid. Interest rate cuts have led to a normalization of the Treasury yield curve, with long-term rates rising and short-term rates falling, signaling an expanding economy.

Fixed-income markets have performed well this year,

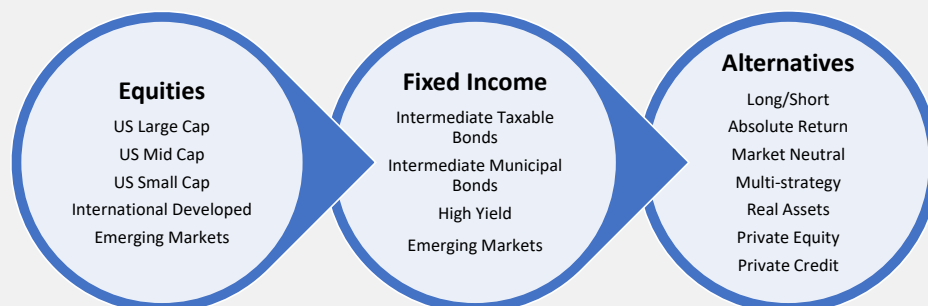
Goals-Based Portfolios



Goals



Portfolio Building Blocks



Overall, our base case envisions a soft landing for the economy through 2025, with a steady but slowing economy and continued declines in inflation.

with lower-credit-quality bonds offering higher returns as investors search for income. Credit spreads for both investment-grade and high-yield bonds are below their historical averages, and while further tightening may be limited, municipal bonds have become more attractive as their yield curve has shifted upward.

U.S. stock markets have outperformed international markets in 2024, with large-cap stocks leading the way. Within the S&P 500, the Information Technology and Communication Services sectors, including the “Magnificent Seven” tech giants, have posted impressive returns. However, the concentration in a small group of companies—with the top 10 stocks contributing to 58% of the S&P 500’s return—raises concerns about the representativeness of passive investing strategies, which may not fully reflect the broader U.S. economy.

Earnings growth for the “Magnificent Seven” is expected to slow, with the broader market likely to catch up. The current P/E ratio for the S&P 500 is 35% above its 20-year average, and projected earnings growth of 15% over the next year could present challenges for equity returns, particularly among top-performing stocks.⁴ U.S. companies’ earnings growth is still outperforming their non-U.S. counterparts.

Alternative investments, including private markets, have lagged due to high interest rates and a weak exit environment. Still, their core benefits remain intact, such as uncorrelated returns and protection against drawdowns. Liquid alternatives can also play a similar role in diversifying portfolios.

We maintain a neutral stance on stocks, bonds, and alternatives, with slight tilts toward U.S. equities, mid and small-cap stocks, and high-quality bonds. Recent adjustments to our alternative allocation reflect a more cautious risk management stance after two years of strong equity market performance.

The U.S. economy faces several risks and opportunities related to President-elect Donald Trump’s policies when looking ahead. His proposed changes, including tax cuts, deregulation, and a tough stance on immigration and trade,

could push inflation higher, raise bond yields, and strengthen the U.S. dollar. However, his policies may result in economic volatility, including increasing the national debt and potential challenges to fiscal sustainability.

Overall, our base case envisions a soft landing for the economy through 2025, with a steady but slowing economy and continued declines in inflation. Recessionary risk and overheating concerns remain.

At year-end, we recommend rebalancing portfolios back to strategic asset allocations and maintaining a diversified, flexible approach to navigate the evolving economic and market environment. ■

Jasmine Yu, PhD, MBA, CFA®, CAIA, is the Chief Investment Officer at Bryn Mawr Capital Management. With over 20 years of experience in investment management, advisory, and strategy, she is responsible for investment policies, asset allocation, investment solutions, and portfolio management for taxable and tax-exempt clients.

[Learn more at bmt.com.](https://www.bmt.com)

1. WSJ, *The Next President Inherits a Remarkable Economy* - WSJ
- 2,3. Surveys of Consumers, University of Michigan, fetchedoc.php, October 25, 2024
4. FactSet as of October 2024

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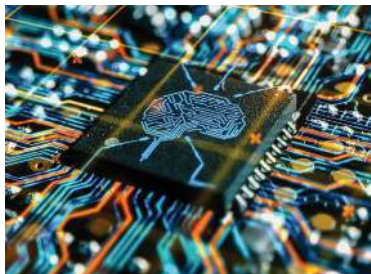


A WSFS COMPANY

Data is the Fuel for AI Innovation in Wealth Management: Is Your Data AI-Ready?

By Joe Stensland
BRIDGEFT

— 10TH ANNUAL —
2024 Wealth
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Over the past several years, AI (AI) and Machine Learning (ML) have transformed the wealth management industry, allowing financial institutions and advisors to reduce human error, facilitate faster decision making, improve efficiency, reduce costs, and empower employees. With the power of AI, firms of all sizes have more bandwidth to both serve their clients and grow their businesses. Meanwhile, wealth management consolidators have powerful new tools to onboard and integrate new firms faster and more efficiently. But for users to actually benefit from AI, they need one critical component: accurate and complete data.

On its own, data provides mission-critical insights that power day-to-day operations. However, historically speaking, many companies in the wealth industry have been plagued with archaic data processes driven by flat files and legacy infrastructure. If firms really want to invest in AI, they must first invest in the means to extract and manage high-quality data. Otherwise it's garbage in, garbage out for AI algorithms.

A strong data foundation is what positions AI initiatives for success—reliable, scalable data is the fuel AI needs to produce optimal recommendations. Trust-worthy data begins at the source, and requires the ability to track creation, enrichment, processing, and distribution of said data. Total wealth data that includes detailed client and investment account data across liquid and illiquid assets are the essential building blocks to power scalable AI operations in wealth management.

For many firms, the back-office operations serve as a data repository—collecting, enriching, validating, packaging, and distributing large volumes of sensitive data on a daily basis. In recent years, this practice has evolved to include outsourced data warehouses that leverage the value of the cloud to support a System of Record for client, account, securities and transactional data—providing a single source of truth that can be used to feed essential systems and applications. This trend towards working with outsourced data experts also greatly improves the prognosis for AI in wealth management.

When it comes to launching, optimizing, or maintaining AI-powered capabilities, firms should question their data

processes and quality first and foremost. Regularly assessing your firm's data's "AI readiness" ensures the highest likelihood of success. The key factors to consider include:

1. **Accuracy:** The foundation of any reliable AI solution is the accuracy of the data. Ensuring that your data is error-free and precisely reflects the real-world scenario is critical for generating trustworthy insights.
2. **Completeness:** Incomplete data can lead to biased or incorrect AI predictions. It's essential to have comprehensive datasets that encompass all necessary variables to build robust AI models.
3. **Consistency:** Consistency across your datasets is vital. Uniform data formats and standardization practices help maintain the integrity of your AI models, leading to more dependable outcomes.
4. **Timeliness:** AI models thrive on up-to-date information. Ensuring that your data is current and reflects the latest market trends and client behaviors enables your AI solutions to be relevant and actionable.
5. **Uniqueness:** Differentiation in data can provide a competitive edge. Incorporating unique data sources can enhance the richness of your AI models, offering distinctive insights that set your services apart from the competition.

AI has already powered many wealthtech innovations, including applications for advisor marketing, client onboarding, accounting, and fee billing. And the list of use cases continues to grow as AI proliferates. Ultimately, the widespread use of AI across the wealthtech ecosystem can only help enhance the experience for advisors, asset managers, and their clients. This puts a heightened focus on ensuring the data foundation is the strongest part of the AI equation.

Joe Stensland is CEO of BridgeFT.

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Pop Your Collar for 2025

By Dave Donnelly

BLACKROCK | SPIDERROCK ADVISORS

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U.S. equities have delivered excellent results for the calendar year 2024 through 11/20. The S&P is up 24.1%, and top contributors include ORCL, NFLX, and NVDA, which have made investors +82%, +83% and +181%, respectively.

A question a lot of investors are now asking themselves is of course, “can this run last, or are my gains at risk?” Interestingly, the option market is offering a way to capitalize on both of those potential outcomes.

The Option Collar

Buying protection for a stock through the use of a put option is a widely known strategy. The benefit of a put is that, without selling and triggering a capital gain bill on the stock, an investor can reduce the amount they would lose if the stock declined. The problem with this approach is that those puts are often very pricey, making a long-term strategy of serially buying them untenable.

Finding a way to pay for that put insurance without coughing up 5-10% of the stock's value annually is therefore an interesting prospect. Selling call options on the stock can deliver just that—income to pay for put protection without burning portfolio cash. Selling a call option has the tradeoff of selling some of the potential upside of the stock in exchange for cash, which is in line with the thinking of clients who believe the meteoric rise in some of their names may not last forever.

Combining a short call position with a long put is known as a collar in option parlance, greatly reduces the range of potential outcomes for the client. Strike prices are the term for the upside and downside ‘caps’ a client is seeking to add to their long equity positions.

One More Option Term

One of the reasons collars look so compelling today is the skew in the options. Skew is defined as the difference in implied volatility between options with different strike price (/but the same expiry). For our purposes, it's the measure of how cheap or expensive the puts we want to buy are relative to the calls that are going to pay for them.

For example, a collar on the S&P one year out could cap the downside exposure at 10% and the upside exposure at 10% to pay for it. But for some of the biggest individual stock winners, the asymmetry is very compelling:



Ticker

ORCL NVDA NFLX IBIT

Downside

-11% -14.2%
-13.2% -20.6%

Upside

19.8% 31.6% 20% 55.4%

Premium Collected

1.4% 1.7% 2.2% 3.6%

Getting 1.5:1, 2:1 or even 3:1 upside-downside exposure is both a compelling way to add insurance for nervous investors and a compelling risk/reward trade for those who aren't natural hedgers.

For the client who asked if the run can continue or if their gains were at risk, an option collar may be able to deliver regardless. ■

Dave Donnelly is Managing Director of SpiderRock Advisors and works with wealth managers and clients to provide option overlay services. SpiderRock Advisors is a subsidiary of BlackRock, combining world-class technology with comprehensive derivatives expertise to deliver customized option overlays to Financial Advisors and their clients.

[Learn more at www.blackrock.com](http://www.blackrock.com) and www.spiderrockadvisors.com.

*Source: Bloomberg L.P. **Return data as of 11/25/2024

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2025 Midyear Outlook Special Issue

Publishes: August 15, 2025

Article Content Due: June 19

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For more information, contact Evelyn Schmidt at
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The Future of Digital Protection for High-Net-Worth Individuals: What to Expect

By Sarah Rosen
BLACKCLOAK



The digital landscape is evolving at an unprecedented pace, and with it, the threats to personal and corporate security are becoming more sophisticated. High-net-worth individuals (HNWIs) are particularly attractive targets for cybercriminals due to their wealth, influence, and access to sensitive information. As a result, the demand for robust digital protection solutions is rising, and the market is responding with innovative and comprehensive services.

The Growing Need for Digital Protection

HNWIs face unique cybersecurity challenges. Their personal lives and business operations are often deeply intertwined, making them vulnerable to a wide array of digital threats, from phishing attacks and identity theft to ransomware and targeted espionage. Traditional cybersecurity measures, designed primarily for corporate environments, fall short in addressing the personal security needs of HNWIs. This gap has led to the emergence of specialized digital protection services that cater specifically to the unique requirements of wealthy individuals and their families.

Trends in Digital Protection

Holistic Security Solutions: The market is moving towards comprehensive cybersecurity covering all aspects of an individual's digital life, including personal devices, home networks, and online identities. It aims to create a seamless ecosystem with end-to-end protection.

Personalized Services: Digital protection is increasingly tailored to meet HNWIs' specific needs through personalized risk assessments, bespoke strategies, and dedicated support, offering targeted protection.

Advanced Threat Detection: Utilizing AI and machine learning for proactive threat hunting, real-time monitoring, and rapid response is essential. These technologies help identify and neutralize threats before they cause harm.

Privacy Enhancements: Critical for HNWIs, privacy protection focuses on removing personal information from public databases, securing communications, and implementing stringent privacy settings to prevent cyberattacks and harassment.

Cross-Platform Integration: Ensures consistent protection across all devices and platforms used by HNWIs, enhancing overall security.

The Path Forward

As digital threats continue to evolve, the market for digital protection services for HNWIs will grow in importance and complexity. Providers like BlackCloak are at the forefront of this industry, offering innovative solutions that go beyond traditional cybersecurity measures. By focusing on the unique needs of high-net-worth individuals, these services ensure comprehensive protection in an ever-changing digital landscape via a white glove service.

The future of digital protection for HNWIs lies in holistic, personalized, and advanced security solutions. By staying ahead of emerging threats and adapting to new challenges, digital protection services will provide HNWIs with the security and peace of mind needed to thrive in the digital age.

What Advisors Should Expect

Imagine a world where you can be confidently carefree about your digital footprint. As threats continue to evolve, you want to be one step ahead of potential dangers. Here's what advisors should expect from a digital protection service:

Proactive Risk Management: Continuous monitoring, regular audits, penetration testing, and updates keep threats at bay.

Comprehensive Support: 24/7 support ensures swift response and minimal damage during breaches.

Peace of Mind: With robust protection, HNWIs can focus on their lives without constant cybersecurity worries.

Enhanced Privacy: Advanced tools remove personal data from public sites and secure communications.

Tailored Security Solutions: Personalized strategies protect every aspect of digital life, from devices to home systems.

The future of digital protection for high-net-worth individuals is one of proactive, holistic security. ■

Sarah Rosen is Head of Strategic Partnerships at BlackCloak. BlackCloak, trusted by Fortune-ranked executives, HNWI and ultra-HNWI, and high-profile sports and entertainment personalities, ensures that your personal digital life is proactively protected.

Learn more at www.blackcloak.io and [LinkedIn](#).

BLACKCLOAK™

Why Retailization is Good for the Investment Industry

By William Rudebeck
BITE INVESTMENTS

The retailization of private assets is revolutionizing the investment industry landscape, bridging the gap between an investment opportunity universe once reserved solely for institutions and the high net worth community. With the proliferation of new, semi-liquid, evergreen funds coming to market, along with the advent of alternative investment platforms for retail investors and their advisors, there will be secular advantages for advisors, investors, and managers in the years ahead.

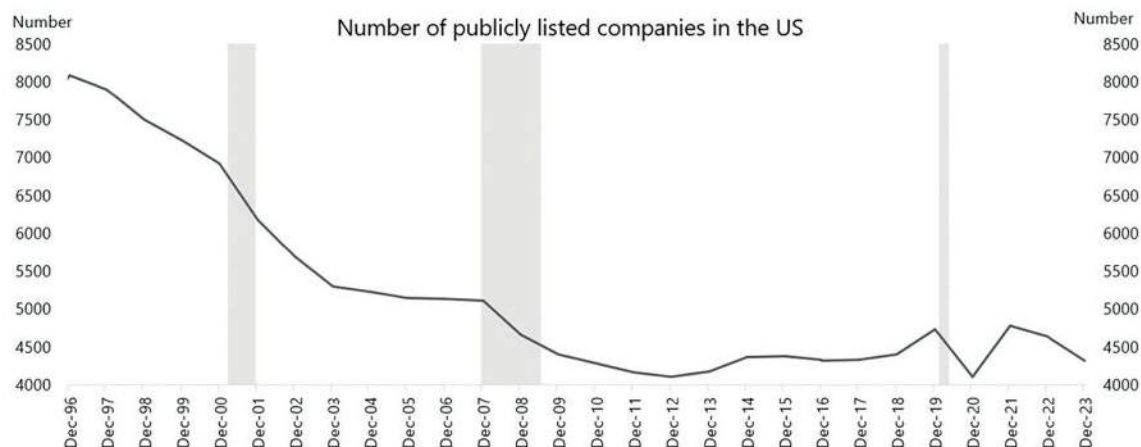
Wealth Managers and HNW Investors

Benefits:

- The illiquidity premium—the alpha expected over liquid securities—has proven persistent over the long term, providing a meaningful return over public equity indexes.
- A dwindling list of publicly available stocks to invest in means fewer alpha opportunities for actively managed long-only equity managers. In fact, the number of publicly listed companies has declined 50% since the mid-1990s.
- Private credit and private real estate can support the income portion of an individual's cash flow needs above and beyond government and corporate bonds, reducing exposure to shorter-term interest rate fluctuations.
- To attract retail investors, managers must develop new products and investment vehicles that cater to this market segment. This innovation can lead to more efficient and transparent investment options and lower costs, benefiting investors.
- Incorporating alternatives as part of a wealth manager's investment universe provides competitive advantages for



US: Significant decline in the number of publicly listed companies



Source: www.apolloacademy.com

RIAs and wealth managers who embrace the private markets over those that remain laggards in adopting new investment options for their clients.

Caveats:

- The private asset markets are less liquid and transparent than their public security counterparts. However, this is being addressed due to the proliferation of evergreen, BDCs, and interval funds coming to market, providing “semi-liquid” options with more frequent reporting intervals.
- The fees to invest in the private markets are notably higher than those in the public markets.

Private Asset Managers

Benefits:

- New revenue streams of perpetual vehicles reduce the cyclical nature of traditional drawdown funds while providing a steady stream of recurring management fees.
- The diversification of a manager’s client base into the retail market increases the investor pool and reduces institutional client concentration.
- Given the (still) untapped penetration of the retail market, smaller and mid-sized managers have an opportunity to establish themselves in this vertical. They will still have to compete, though, with the deep resources of larger private managers. Education, brand establishment, and competitive returns will determine who wins the retail AUM game in the years ahead.

Caveats:

- The operational capabilities—people, compliance, reporting—to compete effectively in the retail markets cannot

be overstated. The ability to scale will be paramount given the costs and resources needed. Technology will play an important role in onboarding, compliance, investor communication and product distribution.

- There is the potential for a mismatch of liquidity, strategy, and investor expectations, particularly for semi-liquid funds. Careful consideration will be needed to right-fit strategy and vehicle.
- Fees paid to intermediary platforms/distribution often come at a cost, potentially significantly affecting margins.

Conclusion

Demographic shifts, a large, untapped universe of potential capital and friendlier regulatory environments point to an important shift in the private capital markets. New, diversified investment options for advisors and their investors, along with the greenfield opportunities for private market managers, bodes well for the health of the industry going forward. ■

William Rudebeck is CEO and Co-Founder of Bite Investments, which provides innovative software solutions to the wealth management and alternative asset sectors, enabling industry professionals to efficiently manage and scale their investment offerings in response to the expanding retailization of private markets.

Learn more at www.BiteInvestments.com, [LinkedIn](#), [Facebook](#) and [X](#).



Outlook: CRE Could See Best Performance in Decades

By Ryan Severino

BGO

The U.S. commercial real estate (CRE) market has endured the peak of cyclically high inflation and interest rates in the wake of the pandemic and stands ready to benefit from significant changes in the broader environment.

Through the first three quarters of 2024, this asset class continues to show measured, yet notable improvement. Space market fundamentals continue to perform reasonably well. Where weak spots exist, they largely stem from having too robust of supply, not collapsing demand. If anything, the robust supply pipeline in certain sectors serves as a vote of confidence in the broader outlook.

Recently decreased Federal interest rates have helped to heal CRE capital markets and should provide additional support in the coming quarters. The macroeconomic environment looks like it will remain broadly favorable, which should enable the CRE market to close out 2024 in much better shape than it began and set the asset class up well for further recovery into 2025.

Equity Capital Markets Stabilizing

With recent Fed cuts, total returns should accelerate further in the coming quarters. We expect to see further increases in investment volumes and property prices, along with lower cap rates. This process will likely remain tentative in the short term as the market finds its footing, but the direction of travel is clear at this juncture.

We expect the market will continue to fare well as the Fed funds rate drops closer to neutral. The long-end of the curve could remain volatile, which could provide some disruptions. CRE remains incredibly interest rate-sensitive, so rate cuts and a positive economic backdrop could produce a run of solid returns in a manner unseen for decades.

Debt Capital Markets Already Improving

CRE credit markets are picking up momentum after a quiet start to the year. While a volatile Treasury market could disrupt that a bit, ultimately, easing monetary policy should produce easier capital markets, including CRE.

Debt capital markets, across various metrics, should see significant improvement in almost all areas as monetary policy eases over the next two years as the Fed moves toward neutral. Underwriting standards should loosen as demand from borrowers increases.



Secondary Property Types and Dislocation Offer Attractive Investment Opportunities

Increasingly, investors are showing a renewed interest in CRE as a competitive asset class. It stands on its own merits, but with equity markets hitting record highs, the denominator effect is incentivizing investors to think more seriously about increasing their CRE allocation. But how to invest? Among the major property sectors, industrial and multifamily remain favorable, and with both sectors still heading toward stabilization, market selection takes on outsized importance.

Secondary property types are increasingly filling a void for investors. Some of these property types, such as data centers, cold storage, and medical office, require particular expertise and manager skill. Others, such as self-storage and build-to-rent communities, often require relationships and partnerships. All of these property types offer opportunities for attractive returns and diversification benefits, but investment selection remains critical.

Finally, many investors have been waiting with bated breath for distressed assets to hit the market. While “distress” is not a strategy per se, dislocations can offer attractive opportunities for investors across the capital stack and even the risk-reward spectrum. While market expectations usually exceed actual levels of distress (and we have no reason to think this time is any different) shifting capital markets could finally force the hand of many investors and borrowers who are struggling with distressed assets. ■

Ryan Severino is Chief Economist at BGO.

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Preparing for the Paradigm Shift in Data Management

In 2025, the industry will advance toward a foundation based on trusted, connected data

By Don Henderson

BETANXT

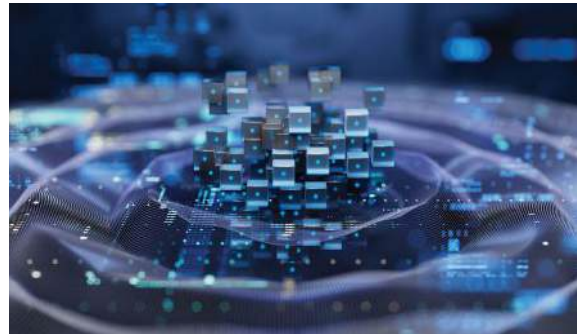
Data can offer wealth management organizations extremely useful insights that can improve their operations, and most importantly, create a more meaningful and personalized experience for clients. Historically, data management has been a big problem across the industry—preventing wealth managers and their clients from reaping the benefits of “connected data,” whereby a firm’s platforms and systems “speak” to one another by exchanging data and provide the coherent, near-real-time answers and next steps (from that data) which clients need. In recent years, wealth management firms have been trying to fix the industry’s outdated technological infrastructure—and we expect them to continue making strides in this area in 2025.

No matter what technology enhancements and integrations wealth management firms adopt, they won’t reap any rewards if the data they are using is not clean, trusted, or properly curated. The biggest barriers that our customers have faced with improving data management—from data structure, to reconciliation and workflows—all relate to the data itself.

Going forward, wealth management firms and the tech providers that work with them will need to focus on creating the infrastructure to ensure data remains accurate and delivered in real time. Data accuracy, and the timeliness and relevance of data, are threatened every time wealth managers move data around. In many wealth management organizations, accurate data simply shows up too late for clients, potentially harming the advisor/client relationship. To prevent this from happening, wealth managers will need to stop relying on overnight deliveries from third parties, and store their data in-house, where it can be properly curated, cleaned, protected, and delivered when and how clients need it and want to receive it.

The complexity of raw, unclean data requires many steps before it is curated, and ultimately, usable. To make meaningful use of data analytics and workflows, technology vendors, such as BetaNXT, have been working with wealth management enterprises and industry partners to deliver governed data and create tools such as data views and experiences that can be leveraged for their strategies and tailored for users at all levels of the organization. This is a trend which will continue in 2025.

The reliability and accuracy of data depends on thorough,



systemic governance. Too many wealth management firms have tended to view governance as something that is a mere process, or after-the-fact checklist. As data breaches at financial services companies continue to draw news headlines and regulatory penalties, firms have realized that data governance requires anticipatory, rules-driven intelligence baked into their data architecture and workflows. Data governance should come from upstream and your suppliers, not created separately, to ensure consistency and connectivity. In the coming year, firms will continue to work closely with ecosystem partners to adopt this type of data governance.

New innovations in connected data are designed to modernize the data experience and simplify the exchange and commingling of internal and external data between wealth enterprises and their partners—removing all of the data management challenges and complexities described above. Once these problems are tackled, advisors in 2025 and beyond can deliver an experience rooted in connected data that is accurate, trusted, and delivered in real time. ■

Don Henderson is Chief Technology Officer of BetaNXT, a leading provider of frictionless wealth management enterprise solutions, real-time data capabilities, and an enhanced wealth advisor and investor experience.

Learn more at www.betanxt.com and [LinkedIn](#).

BetaNXT

2025 to Bring More Financing Opportunities Amid Easing Volatility

By Hilary Provincse
BERKADIA

With the U.S. Presidential Election now behind us, transaction activity in the commercial real estate (CRE) sector is anticipated to accelerate in 2025. Despite some ongoing volatility, several factors collectively set the stage for a successful year.

Institutional investors are emerging from the sidelines in pursuit of new opportunities, and their ability to unleash pent-up demand, along with increased participation from foreign investors, is expected to boost transaction activity.

Foreign investors are not only seeking higher returns in the U.S. but also looking to diversify their portfolios by spreading risk across different markets and asset classes. Although the lack of pricing transparency and gaps in the bid-ask spread have muted transaction volume, this gap is narrowing as confidence in the CRE asset class grows.

Heightened interest from these groups is particularly evident in the multifamily asset class. Institutional and foreign capital are driving acquisition activity and potentially compressing cap rates as they shift their strategies away from office and retail.

While investors have struggled to project the cost of capital due to unprecedented interest rate volatility over the past two years, and although interest rate volatility remains a concern, the market is poised to capitalize on more abundant financing options in the year ahead. Lenders have introduced various strategies to mitigate sensitivity, such as rate buy-downs, more fixed-rate options, and prepayment flexibility.

Alternative lenders are expected to expand their offerings after strong advances last year, while traditional life companies and the government-sponsored enterprises (GSEs) will continue to support the market.

GSE programs offer a worthwhile solution, providing flexibility for stakeholders to capitalize on favorable movements in treasury yields. Both Fannie Mae and Freddie Mac aggressively priced deals for delivery in 2024, keeping rates within a relatively tight trading range. This dynamic allows



stakeholders to take advantage of the GSEs' ability to quickly move from application to a locked rate through streamlined rate lock or index lock programs.

Commercial mortgage-backed securities, single-asset single-borrower loans, and debt funds are also providing more financing opportunities as the rate-cutting cycle continues. These groups offer a variety of options, increasing the likelihood of borrowers finding solutions that align with their investment strategies.

Overall, 2025 is shaping up to be a bullish year for the CRE sector. With improving market conditions and reduced macroeconomic volatility, and the wall of commercial real estate maturities finally coming due, more investors are expected to move off the sidelines and benefit from the broad landscape of financing opportunities. ■

Hilary Provincse is Executive Vice President – Production and Capital Markets for Berkadia.

Learn more at www.Berkadia.com.

BERKADIA®

Private Debt: A Critical Investment for 2025

By T.R. Hazelrigg IV

AVATAR FINANCIAL GROUP



The dynamics shaping today's market have underscored private debt's critical role in the CRE financing ecosystem. For investors, it represents a compelling opportunity to achieve superior risk-adjusted returns while participating in a foundational element of the industry's financial infrastructure.

Private debt has consistently bridged the gap in times of market dislocation. Banks, historically the dominant source of CRE debt, have faced mounting challenges. As of mid-2024, banks' CRE loan growth had slowed to 2% year-over-year, compared to 13% in early 2023, according to S&P. Meanwhile, their share of non-agency CRE loans fell sharply, from 58% in late 2022 to just 21% by early 2024.

This retreat stems from a combination of heightened delinquencies, elevated deposit costs, and stringent regulatory oversight. And while banks across the nation are working diligently to get their books in order, don't expect a sudden return of these institutions to the market. The Federal Reserve's Supervision and Regulation Report highlighted that delinquency rates for large banks rose to 4.94% in 2024, the highest level in a decade, further straining their appetite for CRE exposure.

The looming wave of maturing CRE debt adds further urgency to private debt's role. CoreLogic estimates that \$1.26 trillion in loans will mature in 2027, much of it originating in a low-rate environment with valuations and cash flows no longer aligned with today's market realities. Borrowers will face significant refinancing challenges, leaving private lenders to fill the gap.

A Market Primed for Private Debt

The current market environment is particularly favorable for private debt investors. With Green Street reporting a 21% drop in valuations from their 2022 peak, new loans are being underwritten at a reduced basis, offering downside protection even in volatile conditions. Additionally, floating-rate structures have delivered double-digit all-in yields during recent rate hikes, making private debt a lucrative fixed-income alternative.

For investors, private debt's appeal lies in its combination of income stability, portfolio diversification, and enhanced returns. Since 2010, private credit has consistently delivered an illiquidity premium of 300-400 bps over public market

comparables, Preqin found. Private CRE debt offers additional advantages by occupying a senior position in the capital stack, where security and predictability are paramount.

REITs focused on private debt further amplify these benefits. By pooling investments across geographies, asset types, and borrower profiles, REITs provide built-in diversification that mitigates risk. This structure also delivers reliable income streams, making private debt REITs particularly attractive to income-focused investors seeking alternatives to equity market volatility.

Tax efficiency is another key advantage. Under the Tax Cuts and Jobs Act, REIT dividends qualify for a 20% tax deduction, effectively enhancing after-tax yields for investors. While the act was set to expire at the end of 2025, there's a strong likelihood that the incoming administration will grant an extension.

A Cornerstone of an Investment Portfolio

The enduring appeal of private debt lies in its adaptability and resilience. Whether funding transitional assets, navigating complex refinancing challenges, or stabilizing portfolios in uncertain times, private debt delivers results. With private debt AUM projected to reach \$2.64 trillion by 2029 per Preqin, the asset class is poised for sustained growth.

For wealth managers and institutional investors, private CRE debt offers a compelling addition to investment portfolios. Its combination of high yields, capital preservation, and diversification provides a hedge against broader market volatility while generating stable returns. As we look ahead to 2025 and beyond, one thing is clear: private debt isn't just a part of the CRE financing landscape—it's a pillar of its foundation and an essential investment opportunity. ■

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Three Mantras to Elevate Wealth Management in 2025

By David Crow
AXOS CLEARING

Futureproofing a wealth management practice is not a novel idea, but it is still a necessary one—and yet psychological barriers persist that keep broker-dealers and the advisors they support from executing it. As the saying goes, they keep working in the business instead of on it.

Through the dozens of industry conferences and hundreds of executives I've met with during the year, I've landed on three mantras that can help us all raise the bar for the wealth management industry in 2025.

1. Be more than a technology-purchasing organization.

From a client perspective, there is a desire for an improved experience. Clients want the iPhone of experiences for their investment portfolio and one central point of contact to coordinate all offerings and access. They are more than happy to reduce the number of professionals they have to deal with to streamline their lives.

So, while technology is critical to our operations, we must be more than our technology. Clients want guidance now more than ever, and that is a great thing. Clients need someone to talk to about the state of the world and what it means for their ability to reach their goals. Determine the communication preferences of each client to ensure they feel both seen and heard. When they want to talk, don't try to fit a square peg into a round hole by making them adhere only to your preferred style.

2. Make the change from "I" to "we".

Helping advisors trade on the collective intelligence of your organization and the clearing, broker-dealer, and compliance professionals supporting it is critical. The industry must shift from an "I" to a "we" movement. Let them—and their clients—know they "have a guy" for that. The ability to provide a greater holistic wealth management offering and marketplace where clients can access loans or securities-based lines of credit helps advisors become even more valuable to their clients.

As we contemplate the regulatory arena softening over the course of the next few years, helping advisors better illustrate those implications to clients will be beneficial for long-term perspective setting and setting a calmer tone. Leverage the wisdom of your colleagues and partners to ensure the most comprehensive advice possible because it truly takes a village.



3. Keep building and iterating.

This year, my team has been laser-focused on transforming the business through understanding the why. It's not enough to simply understand the rules of our job. To exceed as service providers, we must understand *why* we do things a certain way and the ripple effect it has when done right. What does it mean to service a client in this new genre of investing, and how can we improve our core competencies to raise the overall caliber of talent across the clearing industry? Implement regular touch bases with your team to discuss what's working and where you can improve.

Big goals don't happen overnight, and the beginning of a new year is often when individuals imagine how to make their big dreams happen. The same is true in our line of business. We must envision making our dreams of better connected and holistic wealth management a reality. Having a few mantras may not be the only way to achieve this feat, but it sure is a start. ■

David Crow is Executive Vice President and Head of Axos Clearing.

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In 2025, Advisors Must Balance the Barbell

By Mike Watson

AXOS ADVISOR SERVICES

According to research from Cerulli, financial advisors are dramatically underserving mass affluent, single-digit millionaires and next-gen high earners.

This barbell approach across our industry, where smaller-sum investors and high-net-worth are both easily targeted and serviced—but the great middle is left unsatisfied—is not new, but it bears reconsidering.

There's a lot at stake here for investors and the professionals who can support them, particularly given the great wealth transfer, in which a combined **\$84.4 trillion in assets will be passed** down from baby boomers to younger generations (although industry veteran **Mike Kitces might disagree**).

To reap the benefits of this seismic shift, advisors should focus on bringing their practices to life and tap into the desires of this new clientele, who have different expectations of the investor-advisor relationship.

Actively Seeking Advisor Support

Digital natives and the dot-com generations have increasingly high expectations of 24/7, streamlined access and instant communication with their bank; they're starting to want the same from their advisors.

They don't understand the traditional client-advisor relationship; they want to see and understand where their money is at any given time and have the ability to connect personally with the person managing it. The world has changed too much; spending one hour twice a year reviewing spreadsheets and presentations is no longer sufficient. They want a more vibrant experience – one where an advisor understands them as a person and what the money will help them fulfill, not simply how much appears on the balance sheet.

We should heed their desires. A study from Cerulli finds **only 19% of investors will stick with their parents' advisor**. Even if a previous relationship has been fruitful, they'll look elsewhere if they can't find the experience they want with us.

Positioning Your Practice for Success

To provide that experience, advisors must meet these clients where they are with a heart and service-led approach, where holistic wealth management advice sets the tone for the relationship.

Coming out of the **Tiburon CEO Summit**, I heard exciting examples of advisors exploring wellness practices like yoga



or nutrition with their clients. That's certainly a unique way to add more value to the client relationship, but thinking that far outside of the box may not be attainable for every advisor.

Instead, consider how to wrap services around the advice. Tap into your custodial relationships to unlock broader banking and estate planning offerings. While digital solutions might not make sense for every firm, advisors shouldn't fear integrated solutions, which can introduce more accessible partners and add adjacency to your practice. It's all about digitizing and personalizing that service to the client.

There's no storm approaching, only a wealth of opportunities.

By seeking human-to-human interaction and guidance, next-gen and single-digit millionaires have provided an opportunity for our industry, making our profession all the more valuable. Putting relationships at the center of the financial advisory flywheel is a sure way to scale in 2025 and the years ahead. ■

Mike Watson is Senior Vice President, Head of RIA Custody for Axos Advisor Services.

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Monetize Life Insurance to Boost AUM in 2025

By Jamie L. Mendelsohn
ASHAR GROUP

Wealth managers have a unique opportunity to increase assets under management (AUM) by monetizing their clients' existing life insurance policies through the life settlement solution. Many clients are unaware that their policies may hold significant fair market value beyond the surrender value offered by the insurer. By evaluating these policies, wealth managers can uncover opportunities to convert underperforming or unneeded life insurance into liquid assets that can be reinvested to align with the client's broader financial goals. This strengthens client relationships by demonstrating innovative planning and channels funds into managed accounts, boosting AUM while delivering tailored financial solutions.

Preparing Clients for Potential Tax Changes

The only certainty about tax laws is that they will inevitably change, creating both challenges and opportunities for financial planning. Governments frequently adjust tax policies to address economic conditions, budgetary needs, and shifting political priorities, which can significantly impact income, investments, and estate planning strategies. This unpredictability underscores the importance of staying proactive and continuously evaluating clients' portfolios and strategies to ensure alignment with the latest tax landscape. By emphasizing adaptability, advisors can help clients mitigate risks, capitalize on emerging opportunities, and safeguard their financial well-being amidst constant legislative evolution.

Valuing existing life insurance policies helps wealth managers prepare clients for potential tax changes that may affect their financial strategies. Life insurance is more than just protection—it is a key asset in wealth transfer, retirement planning, and estate management. Tax changes could affect the need for policies purchased for tax purposes. By assessing the fair market value of these policies, advisors can provide clients with a clearer understanding of their financial impact, enabling more informed decisions about whether to retain, modify, or monetize existing policies.



In addition, policy valuation can uncover strategic opportunities for wealth managers to enhance financial outcomes. These may include leveraging the policy for loans, converting it to alternative products, or reallocating premiums to optimize tax efficiency. For clients with substantial

estates, valuation ensures alignment with tax thresholds and identifies ways to mitigate estate tax liabilities. A proactive approach positions wealth managers as trusted partners in navigating evolving tax landscapes, safeguarding their clients' wealth, and achieving long-term financial objectives.

The Life Settlement Solution Scenarios

You do not need to be a life insurance expert to capitalize on this option. Life settlements are a versatile financial solution relevant to advisors regardless of their practice focus—business succession planning, managing Irrevocable Life Insurance Trusts (ILITs), or supporting charitable giving strategies.

Business Valuation – Corporate-Owned Policies

For business-focused practices, life settlements can provide liquidity from underutilized policies, funding growth initiatives, or facilitating buy-sell agreements.

Example: Three Males, Age 80+, company being purchased by younger executives, \$21M, 3 Guaranteed Universal Life Policies, Cash Value: \$178K, **Life Settlement Value: \$6.9M (after 43 bids)**

This can also be a solution for [convertible term key-man](#) policies on retiring business owners.

Underfunded Policy in ILIT

Trustees can monetize policies that are no longer needed, relieving the financial burden and keeping the trust aligned with the grantor's wishes.

Example: Female, Age 84, \$1.5M Survivorship Universal Life Policy (spouse deceased), Cash Value: \$25K, **Life Settlement Value: \$475K (after 14 bids)**

The life settlement eliminated the future premium burden and funded long-term care for the surviving spouse.



Donated Policy Running Out of Cash Value

Life settlements can transform donated policies into substantial gifts for nonprofits, amplifying philanthropic impact while benefiting from potential tax deductions.

Example: Female, Age 91, \$350K Universal Life Policy, Cash Value: \$4,500, **Life Settlement Value: \$140,000 (after 20 bids)**

A life settlement can also serve as a solution for charitable clients with liquidity constraints who want to make an impact with a beloved cause without disturbing other assets.

More Planning Scenarios

High Net Worth Clients—not every life settlement transaction is needs-based. Rather, it can serve as a solution for HNW clients with estate planning changes or provide an opportunity to unwind complicated insurance structures that no longer serve planning goals.

Younger Clients Caring for Aging Loved Ones—you may have clients in their 50s and 60s shouldering the financial burden of caring for aging loved ones. These clients often put off their planning goals and could benefit from simply asking if their loved one has a life insurance policy they no longer need.

The life settlement solution can unlock the hidden value of life insurance assets, solve diverse planning needs, and enhance the outcome of various financial objectives.

Market Outlook – Catalysts for Growth

The 2025 outlook for the life settlement market is strong, driven by continued advancements in regulation, compliance, and transparency, which enhance trust and attract participation as a mainstream planning tool. With continued education, consumers and advisors have become more aware of this solution as a legitimate and valuable financial option.

With a third of the population moving into the retirement-age demographic, the demand for longevity-based planning solutions continues to grow. Coupled with the ever-increasing need for retirement funding, life settlements provide a strategic way to monetize life insurance policies that are no longer necessary or affordable.

Furthermore, the stability and consistency of institutional capital in the market ensures reliable transaction funding, creating a solid foundation for sustained growth.

These factors collectively position the life settlement industry for significant expansion in 2025, offering wealth managers an opportunity to deliver innovative solutions that align with their clients' evolving financial goals.

Identifying Opportunities and Getting Started

Look for clients in financial transition with policies that are underperforming, no longer needed, or creating a financial strain due to rising premiums. These may include seniors whose children are financially independent, business owners who no longer require key-person insurance or clients with underfunded policies held in ILITs. Clients facing unexpected

financial challenges or seeking liquidity for other investments may also be candidates.

Next, gather minimal policy and health information to get an initial evaluation or use online tools like this [Life Settlement Probability Calculator](#).

Present the potential opportunity to the policy owner. When approaching clients, frame the life settlement option as a way to unlock the value of their existing life insurance assets and provide more financial flexibility—especially if they are facing rising premiums or changing estate planning needs.

Engage a life settlement partner who can help you position the solution and answer questions about the process.

Choosing the Right Partner

There are two licensed parties in the life settlement transaction—a life settlement provider representing the buyer's interests and a [life settlement broker](#) representing the seller's (or policy owner's) interests.

Collaborate with a partner who: 1. has a fiduciary duty to serve your client's best interests, 2. ensures compliance with regulatory requirements, 3. maximizes the value to clients by facilitating a policy auction that creates competition among institutional buyers.



After the Sale

For clients seeking liquidity, the proceeds can be reinvested into higher-yielding assets, bolstering retirement accounts, or diversifying portfolios. Business owners can use the funds to finance succession planning or expand operations, while clients with estate planning needs might allocate the money to reduce estate taxes or fund trusts. Additionally, the proceeds can significantly boost philanthropic goals, enabling larger charitable donations or creating a charitable remainder trust. By guiding clients on strategically deploying life settlement funds, wealth managers help achieve clients' various financial goals and enhance their role as trusted advisors. ■

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More on Ashar.



LIFE SETTLEMENT SELLER'S REPRESENTATIVE

Democratization: The Next Golden Age?

By John Wierzba

AUDAX PRIVATE DEBT

Much has been made about the so-called “Golden Age of Private Credit.” However, to characterize the emergence of the asset class as being attributable to a specific moment in time implies that it’s not the result of more permanent secular shifts that have occurred over the previous 25 years.

Regulations affecting bank lenders, borrower preferences, and the general growth of the industry, positioning private credit as a differentiated and reliable source of capital, have each contributed to the industry’s transition from niche to prevailing source of M&A financing. McKinsey & Co. has quantified that since 2009, private credit lending balances had grown approximately tenfold, approaching \$2 trillion at the start of 2024.

Given historical trends, coupled with forecasts for a revitalized M&A market, the easy 2025 prediction points to further momentum. Less obvious is where growth and inflows will come from. At the risk of spoiling the conclusion, the answer lies in the ongoing democratization of private capital. But again, this didn’t happen overnight and all signs point to a more enduring shift, also decades in the making.

No silver bullet will democratize private capital in one fell swoop. But there has been incremental movement creating opportunity. On the regulatory front, when the SEC updated its “accredited investor” definition in 2020 to de-emphasize income and net-worth tests, it marked a momentous shift from policymakers to level the playing field with regards to access. Parallel to this, product innovation—from private BDCs and REITs to interval funds, ETFs and multi-manager products, more recently—continue to move the needle.

Still, according to a Cerulli Associates 2024 survey, fewer than two out of every five advisors currently provide exposure to alternative assets. And of those who do, the allocations, on average, represent barely two percent of client portfolios.

The reason for optimism is that with the maturation and growth of private assets—stress-tested across cycles and rate environments—the burgeoning demand coupled with product innovation should provide a tailwind. A separate survey from CAIS and Mercer showed that advisors overwhelmingly believe access to alternatives deliver competitive advantages. And of those with exposure, 85% expect to increase allocations.

As it relates to private credit, the industry is at roughly the same stage of maturation as the long-only investment



complex decades ago. Initially, long-only equity was a monolith, but with continual education, product innovation, and growth, advisors now have at their disposal a supermarket of choices to diversify by geography, sector, market cap, and product types. Advisors, in turn, can calibrate client portfolios to meet very specific needs around investment timelines, return and income expectations, risk appetites, etcetera. Access on its own is no longer a differentiator; manager selection, instead, distinguishes advisors.

Like the emergence of private credit, one innovation or one regulatory change won’t instantaneously open the floodgates. Our approach at Audax Private Debt has been to meet investors where they are. Since inception, we’ve raised \$32 billion across 37 funds and SMAs. Over that time, the proportion of HNW investors and RIAs in our investor base has grown to nearly 20%, drawn to the domestic middle-market exposure we provide and the choice we facilitate through structure and risk-adjusted returns.

Democratization, for us and many managers, has been a slow and steady build. But 2025 could be the year the rest of the world takes notice. ■

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Learn more at www.audaxprivatedebt.com and [LinkedIn](#).



Audax Private Debt

Tech Offers Key to Family Financial Planning

By H. Adam Holt
ASSET-MAP

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Let's start with the obvious: Families are increasingly complex, as are the financial decisions made within them.

Financial advisors need to follow suit. Managing investment accounts and offering siloed advice is no longer enough. Instead, modern advisors must prove that they not only understand their main client contact, but also grasp the broader family picture and unique interconnections that shape clients' financial lives.

More than ever, failing to look beyond a single client comes with consequences that impact the bottom line of an advisor's business.

In the short term, your financial advice could fall flat, as it will fail to consider critical, but often unseen, variables that impact the long-term financial security of a full household. In the long term, and arguably more importantly, the Great Wealth Transfer is underway and will only accelerate. In failing to evaluate a family's entire financial inventory and tailor advice accordingly, advisors are putting themselves at risk of losing legacy clients when money changes hands.

Each of these considerations are underscored by the fact that families today are often multi-generational, and could include blended and extended relationships, family businesses, and complex trust arrangements. This only scratches the surface of complexity. One client may factor an aunt into their financial decisions, while another may consider a childhood friend in their finances.

Each of these variables introduce unique, complicated financial dynamics. And it's an advisor's job to understand and navigate them.

Ultimately, the critical point here is that an advisor's role should go beyond serving a single client. It should encompass everyone connected to that client who plays a role in their financial world. And your tech stack should allow you to connect those dots quickly.

One of the biggest gaps that has eluded the financial planning technology industry is effectively illustrating financial interdependency among households, which is why we reimagined Asset-Map's visual view in Relationship Maps.

Our experience shows that by highlighting individuals who may directly or indirectly impact financial planning, advisors can catalyze larger, proactive, and educational conversations that prioritize family dynamics, such as inheritance planning, family-owned businesses, and legacy preferences.



Delivering this comprehensive view offers unique value, as advisors are better positioned to incorporate context-driven advice across multiple disciplines. It also allows them to address concerns that would otherwise go undiagnosed in standard financial reviews, such as how an unexpected medical expense for one family member could impact a client's financial plan, or how a future transfer of wealth might influence family harmony.

Holistic conversations also make financial planning more meaningful for clients. If an advisor can clearly demonstrate they aren't solely evaluating numbers on a spreadsheet, but are instead communicating about a family's goals, relationships, and legacy, it humanizes their entire business and earns trust in the process. That trust becomes currency—one that is irreplaceable as advisors pursue client retention and organic growth.

Ultimately, this is about reimagining financial planning.

In my opinion, it's now an advisor's responsibility to foster family engagement, discuss long-term values and legacy, and push clients to think beyond their immediate financial needs. The motivation to do so is simple.

By embracing an approach that focuses on each unique family, advisors are not only delivering better financial outcomes, but also reassuring clients that they are thinking about their families as human beings, not as dollar signs. Do that, and your advisory practice will be relevant in five years. ■

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asset + map

4D Risk Framework for Smarter Financial Planning

By Helen Yang
ANDES RISK

Risk management is the cornerstone of wealth management, yet the traditional approach of assessing investment risk often falls short of addressing the full complexity of an investor's needs. The next generation of risk management integrates not only the financial risk of investments but also the behavioral risks that significantly influence how investors make decisions.

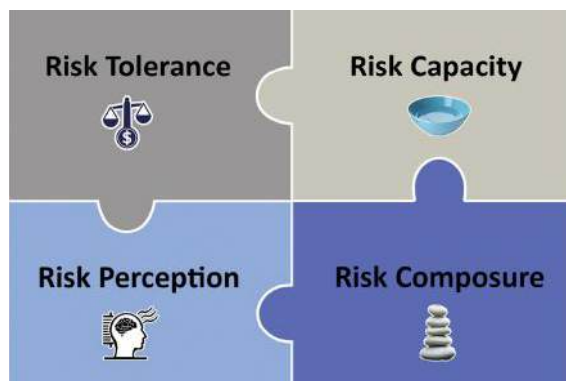
The 4D Risk Framework—encompassing risk tolerance, capacity, perception, and composure—offers a holistic approach that combines both financial and behavioral risks. Historically, risk tolerance has been the focal point of investment decisions, often assessed through basic risk questionnaires (RTQs). However, these tools are increasingly seen as insufficient, given that they fail to account for the psychological factors that drive investors' decisions. To fully understand risk, advisors must go beyond static metrics and embrace a more dynamic, comprehensive view.

The Four Dimensions of Risk

Risk tolerance is the foundation of any risk assessment, referring to an investor's willingness to accept fluctuations in their investments. However, this is only part of the picture. Risk capacity, mostly determined by investment time horizon and income stability, is also critical in proposal generation. Understanding risk capacity, alongside tolerance, allows advisors to design investment strategies that are both appropriate and sustainable.

Risk perception, another key factor, refers to the way investors view risk, often shaped by past experiences and recent market events. Distortion in perception can lead to emotionally charged decisions that deviate from long-term goals. By recognizing and correcting these biases, advisors can help investors realign their strategies with their actual objectives, rather than reacting impulsively to short-term market movements.

Finally, risk composure—the ability to maintain emotional stability during market fluctuations—plays a critical role in ensuring that investors stick to their strategies when the market turns turbulent. Behavioral finance teaches us that many investors make irrational decisions during market downturns, often selling at the wrong time due to fear. Building resilience and emotional control can help investors navigate these periods with greater confidence.



The Role of Data and Behavioral Insights

To bridge these dimensions and provide a more effective risk assessment, advisors must leverage behavioral data. The integration of behavioral finance into wealth management can significantly enhance the accuracy of risk profiling by considering the emotional and psychological factors that traditional models often overlook. The development of tools like the Behavioral Risk Index (BRI) allows advisors to quantify behavioral risk, which, in turn, helps identify investors who are more likely to make irrational decisions.

A Holistic Approach for the Future

Adopting a next-generation risk framework means embracing both financial and behavioral data, tracking not only the returns and volatility of assets but also understanding how investors react to market dynamics. This holistic approach allows advisors to better understand their clients, offering tailored advice that addresses both their financial goals and emotional biases.

As the wealth management industry continues to evolve, it is clear that a single risk metric will never be enough. The future of risk management lies in the intersection of investment expertise and behavioral insights, creating a smarter, more resilient financial planning process. ■

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The Hidden Asset Class: The Power of Diversification with Annuities

By Corey Walther
ALLIANZ LIFE

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In good times, it can be easy to let high returns cloud our judgement. The bull market in the U.S. has lasted two years with stocks hitting new records. As a financial professional, it certainly feels good to see growth for clients. But good times don't last forever and we must prepare for challenges ahead.

Now is the time to revisit some of the guiding principles of investing and building a sound retirement strategy. Those guiding principles include common adages like “time in the market beats timing the market” and the mantra of diversification: “don't put all your eggs in one basket.”

Diversification is a simple concept but can be a powerful tool to help reduce risk and enhance long-term returns. This approach provides a buffer against volatility or down markets in any specific investment or market segment. While this might seem like basic knowledge, when the markets are booming, diversification can easily be overlooked—a major mistake.

Diversification across asset classes is key. Portfolios only diversified across equities and bonds have been tested recently. In 2022, we experienced a market in which stocks and bonds both had negative returns—exposing the shortfalls of a limited portfolio. What appeared to be a diversified portfolio missed the mark as it was not diversified across a mix of uncorrelated assets that help build resiliency into a financial strategy.

What other asset classes should be considered? Often overlooked, a missing piece of the puzzle is insurance products such as annuities. Innovative annuity solutions can help strengthen retirement strategies both during accumulation and income phases. Annuities can perform independent from other market factors. If stocks go down, annuities such as fixed index annuities (FIAs) offer guarantees against the loss of principal. Some FIAs and registered index-linked annuities (RILAs) provide a feature that offers the opportunity to lock in index value gains to help mitigate against a future drop. Exercising a lock may result in a credit higher or lower than if the lock had not been exercised.

Research has shown that a portfolio diversified across equities, bonds, and annuities can have a higher probability of success than equity/bond portfolios. Asset allocation and diversification does not ensure a profit or protect against loss.



As you prepare for the coming year with clients, embrace diversification to build resiliency. The goal is to set your clients up with a financial strategy that will increase the probability of a successful outcome and help reduce risk. By embracing time-tested principles like diversification, financial professionals can help ensure that their clients' financial strategies can be resilient for years to come. ■

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Learn more at allianzlife.com.

Annuities can help meet long-term retirement goals by offering tax-deferred growth potential, a death benefit during the accumulation phase, and a guaranteed stream of income at retirement.

RILAs are subject to investment risk, including possible loss of principal. Investment returns and principal value will fluctuate with market conditions so that contract value, upon distribution, may be worth more or less than the original cost.

Guarantees are backed solely by the financial strength and claims-paying ability of the issuing insurance company. Variable annuity guarantees do not apply to the performance of the variable subaccount(s), which will fluctuate with market conditions.

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Why Human Financial Advisors Still Matter in the Age of AI

By Steve Wruble

AMPLIFY

Artificial intelligence (AI) is transforming financial services, making portfolio management more accessible and automated. However, despite the rise of AI-driven platforms, human financial advisors remain essential, especially in complex areas like retirement planning. Google Trends data shows that while interest in AI tools has surged, the need for personalized financial advice—particularly in retirement planning—remains strong.

The Rise of AI in Financial Services

AI-powered platforms, such as robo-advisors, have gained

popularity for their ability to automate tasks like portfolio rebalancing and tax optimization. Google searches for terms like “ChatGPT” and other AI tools have dramatically increased since 2020, reflecting a growing interest in technology-driven financial solutions. However, searches related to financial advisor salaries and location have remained steady, indicating that investors still value human expertise for critical financial decisions.

Although AI platforms offer cost-effective and efficient solutions for basic investment needs, they often fall short when it comes to complex financial planning or adapting to a



client's changing life circumstances. Human advisors excel in offering a tailored approach, understanding individual goals, and building long-term relationships.

Why Human Advisors Matter

AI can process vast amounts of data, but it lacks the emotional intelligence and deep understanding that human advisors bring. Financial advisors help clients navigate not only the technical aspects of finance but also the emotions that come with major life events. During periods of market volatility, for instance, an advisor can offer calm, rational advice, steering clients away from panic-driven decisions.

Human advisors are also adept at addressing unique client needs. Whether it's retirement planning, estate management, or tax strategies, they provide nuanced, in-depth discussions that AI struggles to replicate. This personalized guidance becomes especially important during major life transitions like marriage, divorce, or the loss of a loved one—times when empathy and human touch are irreplaceable.

The Risks of AI in Financial Advisory Services

As AI becomes more integrated into financial services, it brings not only opportunities but also new risks for financial advisors. According to the SEC's 2025 Examination Priorities, the Division of Examinations is focusing on the use of emerging financial technologies, including AI. Advisors must ensure that the algorithms and digital tools they use are aligned with client interests and comply with regulatory standards.

A key concern is whether AI-driven advice matches a client's investment profile and stated goals. If algorithms generate advice inconsistent with investor needs, it could lead to legal and reputational risks for financial firms. Additionally, the use of third-party AI tools introduces data security challenges, as advisors must protect against the loss or misuse of sensitive client information.

AI Alone Can't Handle Complex Financial Scenarios

AI excels at processing data-heavy tasks, but when it comes to complex financial situations, human advisors have the advantage. High-net-worth clients often need help with estate planning, trusts, or business succession strategies, which require not only technical expertise but also interpersonal skills that AI lacks. Similarly, when unexpected challenges arise—like tax law changes or sudden financial emergencies—human advisors can offer creative, tailored solutions that algorithms are not equipped to handle.

AI as a Tool, Not a Replacement

Rather than viewing AI as a replacement, savvy financial advisors can leverage it to enhance their services. By using AI to handle routine tasks, advisors can focus on providing personalized, strategic advice. The future of financial advising

AI excels at processing data-heavy tasks, but when it comes to complex financial situations, human advisors have the advantage.

lies in combining the efficiency of AI with the human touch that clients value.

AI can help advisors analyze vast amounts of data, identifying trends and patterns that might otherwise go unnoticed. By integrating AI-driven insights into their practice, advisors can offer more tailored recommendations to clients, ultimately improving financial outcomes. However, it's important to recognize that AI is only as good as the data it analyzes. If the data is fragmented or incomplete, AI could lead to misinformed decisions.

It's Still All About the Data

AI is a powerful tool for objective data analysis, but its effectiveness depends on the quality of the data it processes. Incomplete or fragmented data can introduce significant risks, as AI "doesn't know what it doesn't know." This highlights the importance of using robust platforms, like Amplify, which can manage and unify data for financial advisors. As AI becomes more integrated into financial services, such platforms will help advisors harness its power while ensuring the quality and accuracy of the data they rely on. ■

Steve Wruble is CFA of Amplify.

Learn more at amplifyplatform.com, [LinkedIn](#) and [Facebook](#).

Sources:

U.S. Securities and Exchange Commission; 2025 Examination Priorities

Trends.Google.com



Will 2025 End the Financial Auction in M&A?

By Allen Darby

ALARIS ACQUISITIONS

In 2024, I wrote an article about the pitfalls of using a financial auction in the wealth management industry to match a firm wishing to sell with a prospective acquirer. When it was published, I anticipated a positive reception. But the volume of passionate replies cheering the article was something I hadn't expected. Apparently, I hit a nerve.

Financial auctions are flawed. The process of sell-side advisors basing their selection criteria solely on an initial offer from buyers to determine who will ultimately acquire their client's business is fundamentally the wrong approach. By focusing exclusively on financial terms, these auctions ignore the importance of aligning the values, vision, seller autonomy, and a host of other data points critical to the ideals of both parties. Financial auctions neglect essential data that quantifies the odds of long-term success of the transaction. More importantly, financial auctions overlook the most critical aspect of a successful deal, cited by buyers and sellers alike: cultural fit.

It makes better sense that when two entities consider a merger, they should consider more than just the financial terms. Instead, both parties should gauge the likelihood of satisfaction after the acquisition. This raises the question: why do sell-side advisors follow this approach?

The answer is straightforward. The sell-side advisors either don't have meaningful buyer data, or they do, and they simply don't care about it. The former is typically true. Sell-side advisors don't know much about the buyers and are therefore incapable of identifying the right buyer using any metric other than the financial auction-based offer.

Buyer data is historically and notoriously difficult to obtain, taking potentially thousands of hours to capture and organize. It has therefore also been overlooked, or even dismissed, as a consideration during the evaluation process. That is, until now.

In 2025, advisors will be able to perform in-depth searches



of buyer models at their own pace and identify buyers who align with their business realities, deal needs and objectives, partnership preferences, and autonomy profile. Therefore, sellers can invite to the table only the buyers who are a potential fit for their business. Reducing the number of buyers in the initial discussions creates more time with each potential buyer to cover the important aspects of cultural fit and better ensure the prospects of long-term deal success.

Buyers are increasingly prioritizing deals coming from the most reputable sell-side advisers. Buyers value being shown opportunities that are actually a fit based on a host of quantitative and qualitative qualifications, rather than the status quo to blast out the seller's information to all buyers in the database and let them determine if it's a fit or not. ■

Allen Darby is CEO of Alaris Acquisitions.

Learn more at [alarisacquisitions.com](https://www.alarisacquisitions.com) and [LinkedIn](https://www.linkedin.com/company/alarisacquisitions).

ALARIS

Is Your Fund Marketing and PR SEC-Compliant?

By Nicole Stenclik

ARKETE COMMUNICATIONS

2025 is likely to be a year of many real estate investment fund launches. As commercial real estate fund launch activity picks up, we recommend heeding the Investment Advisers Act of 1940 Rule 206(a), in which advisers are restricted in what they can say about an investment to protect investors from misleading or false statements. Thoughtful marketing communications planning can protect your fund from hefty fines and other penalties stemming from these particular regulations.

Ample Dry Powder Means Funds Are Ready to Launch

Improving economic conditions and decreasing interest rates have infused confidence back into the market, and real estate investors are poised to make some big moves. JLL [estimates](#) that there is \$394 billion of pent-up liquidity waiting to re-enter the commercial real estate market. Private equity is a particular bright spot, with fundraising up 10% year-over-year in the first half of 2024, according to [data](#) from McKinsey.

Particularly when referencing fundraising, new deal activity and investment targets, keep the following best practices in mind to stay compliant.

Don't Name Names

During periods of fundraising, there should be no public mention of the name of the specific fund that is raising capital, as it could be interpreted as broadly marketing the fund beyond qualified investors—an important SEC rule in place to protect less experienced investors.

Focus Commentary on Trends

Demonstrate expertise and industry leadership by discussing the macro trends, ideas and market fundamentals that inform a firm's investment strategy. This approach can include sharing insights on where investment advisers are seeing opportunities and what they are hearing from investors.

Avoid Crystal Balls

Additionally, promissory language or forward-looking statements that could be interpreted as promising specific outcomes or returns is strictly prohibited. Investment advisers and portfolio managers should never speculate about future



performance. However, discussing historical performance that has already been publicly disclosed is a good and safe alternative to speculating on what could happen in the future.

Plan Ahead

A clear plan can help avoid costly fund launch missteps—while also increasing exposure, reinforcing differentiators, identifying market opportunities and more. However, many launch strategies do not address the nuances of SEC guidelines, an avoidable mistake if you work with an experienced marketing communications team. The launch communications plan should include specific processes and protocols to ensure all materials and speaking points comply with all SEC guidelines. This approach should cover content, speaking engagements, website copy, press releases, speeches, panels and any external communications such as media interviews.

The plan should also include coaching leadership to comply with these rules through pre interview and speech preparation and setting discussion expectations ahead of media interviews and other public speaking engagements.

Working with a team offering experience navigating SEC guidelines will help your new fund gain momentum in 2025—while minimizing the risk of non-compliance. ■

Nicole Stenclik is the President of Akrete Communications, Inc., ranked the nation's #2 firm for real estate investment and finance.

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business, articulated

Behavioral Finance: Helping Clients Avoid Emotional Investing Pitfalls

By Amir Monsefi
AIRE ADVISORS

Behavioral finance examines the psychological factors that influence investor behavior, shedding light on why clients may not always act rationally when making financial decisions; making it a fascinating area of study for financial advisors and wealth managers alike. Unlike traditional finance theory, which assumes investors make logical decisions based on available data, behavioral finance recognizes the limits of human self-control and the powerful role emotions play in financial decision-making.

The Role of Behavioral Finance in Advisory Practices

Understanding behavioral finance allows advisors to navigate the emotional cycles that clients often experience throughout their investment journeys. Market cycles are often mirrored by emotions: during periods of growth and high market performance, clients may feel euphoric or overly complacent, creating a false sense of security. Conversely, market downturns often bring about fear, anger, or even depression, which can lead to reactive and detrimental financial decisions, such as panic selling.

Dr. Daniel Crosby, author of *The Behavioral Investor*, identifies “The Four Pillars of Investor Misbehavior,” which highlight the psychological risks that impact decision-making:

1. **Ego Risk:** Stemming from a desire to feel competent, overshadowing the ability to make objective decisions. This includes biases like overconfidence and confirmation.
2. **Emotion Risk:** Influenced by emotional states, it includes biases such as optimism bias, underestimating risks during market highs, and the ostrich effect, ignoring negative information.
3. **Attention Risk:** Caused by focusing on salient or attention-grabbing information overshadows rational analysis, leading to biases like anchoring and availability bias.
4. **Conservation Risk:** A preference for maintaining the status quo and avoiding change, including biases like loss aversion and status quo bias.

Recognizing these risks is key. By addressing the psychological origins of client behavior, advisors can anticipate emotional reactions and guide clients toward choices that better align with their long-term goals. Additionally, by establishing



logical frameworks and providing tools to slow down impulsive choices, advisors can help clients avoid falling into the traps of reflexive behavior. This proactive approach helps clients remain steadfast during turbulent, emotional times.

Strengthening the Advisor-Client Relationship with Emotional Intelligence

Incorporating behavioral finance into practice not only enhances investment outcomes but also strengthens the advisor-client relationship. Emotions such as fear, overconfidence, and anxiety often drive financial decisions, particularly during times of market volatility. Recognizing these emotional undercurrents allows advisors to provide more empathetic and tailored guidance, addressing not just the financial but also the psychological needs of their clients.

Beyond enhancing investment outcomes, this approach strengthens the advisor-client relationship by positioning the advisor as a trusted partner who understands and respects the client's unique emotional journey, ultimately building long-term loyalty and confidence.

Behavioral finance is more than a theory—it's a tool that advisors can use to help clients to stay the course, make more informed decisions, resist emotional pitfalls, and strengthen the bond between advisor and client. ■

Amir Monsefi is Co-Founder and CEO of AIRE Advisors.

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Successfully Passing the Baton: Opportunities for Your Successors

By Trisha Qualy and Rita Robbins
AFFILIATED ADVISORS

— 10TH ANNUAL —
2024 Wealth Management.com
Industry Awards
Finalist

In the evolving landscape of financial advising, nurturing second-generation owners has become increasingly vital. Particularly as the industry is aging, founders transitioning their businesses to the next generation will increase exponentially. Thus, the dynamics between buyers and sellers can significantly shape the future direction of these increasingly valuable businesses.



For many new buyers stepping into the shoes of their predecessors, the experience can be both rewarding and daunting. These new owners often possess a foundational understanding of the industry, gleaned from years of observation. However, from our experience the subtleties of leadership and business management can only be fully grasped through hands-on experience.

A primary concern is the importance of gaining mentorship from the firm's founders. New owners look to their predecessors for guidance on navigating the firm's culture, operational practices, and strategic direction. Establishing trust is crucial; buyers must demonstrate their capabilities while also respecting the legacy left by the sellers, otherwise there can be real friction in the transition, which can ultimately destroy business value.

In order to nurture this trust, a significant aspect is the need for open communication. New owners often seek feedback and advice on various operational matters, from client management to investment strategies; and in order to make that happen, a successful partnership thrives on regular dialogue, where both parties feel comfortable sharing insights, challenges, and suggestions.

From the seller's viewpoint, preparing the buyer for leadership must be a key responsibility – otherwise, it can lower the overall value that you ultimately receive if the business doesn't transfer efficiently. This preparation goes beyond mere knowledge transfer; it involves investing time in mentoring the new owner and helping them build confidence.

Clear discussions about the firm's goals, operational methodologies, and long-term vision and investment philosophy can help align both parties. Sellers need to be open about their experiences, sharing both successes and challenges faced

during their tenure. This transparency not only aids the buyer in understanding the firm's history but also fosters a sense of partnership and continuity, while helping the new owners to avoid potential costly mistakes.

The dynamics between buyers and sellers are further complicated by the inherent emotional ties involved. Sellers often have a deep connection to the firm they built and their clients.

Recognizing and addressing these emotional factors is essential for both parties. One key way to do this is to align on core values and future visions, which is critical for both buyers and sellers. This alignment creates a cohesive strategy, ensuring that the firm can evolve while respecting its legacy. Both parties must remain open to feedback, continually refining their approach to moving the business forward together.

Identifying potential challenges early on can also strengthen the partnership. Whether it's addressing differing management styles or reconciling varied perspectives on growth strategies, proactive discussions can prevent misunderstandings down the road.

By understanding the dynamics between buyers and sellers, both parties can forge partnerships that honor the past while paving the way for future success. Nurturing these relationships not only benefits the firms involved but also creates a foundation for enduring growth, innovation and long-term sustainability in the financial advisory profession. ■

Trisha Qualy is Managing Partner and Rita Robbins is President of Affiliated Advisors. If you are considering selling your business in the near future, please [reach out to our succession team](#) for a complimentary consultation or download our latest report: [Getting the Deal Done](#).

Learn more at www.AffiliatedAdvisors.com and [LinkedIn](#).

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The Power of a True Enterprise Partner

By Dave Goes
ADVYZON

—10TH ANNUAL—
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In the realm of enterprise solutions in the financial services industry, the term “partner” has been incessantly bandied about during the due diligence, selection, and buying process. Yet, once the ink has dried on that new contract, most “partners” vanish, relegating you to the cookie-cutter service models and product enhancements that fail to materialize. Before long, you become just another name on the roster, joining the ranks of those who have experienced the same disillusionment.

If you're fortunate, you may have encountered a few exceptional firms that truly embody the spirit of partnership. While they, like others, extolled the virtues of collaboration during initial discussions, they actually delivered on that promise once the relationship was formalized.

From my perspective, shaped by both purchasing and selling enterprise solutions, a genuine enterprise partner excels in three key areas:

- 1. They Know Your Business:** Authentic enterprise partners understand your culture, your revenue and cost drivers, your current state, and the strategy you are deploying to reach your next set of business objectives. In order to know your business, they ask you many questions and get to arguably the apex of enterprise partnership discovery: an understanding of the needed impact for a solution or set of solutions to be considered successful for your business. True partner firms understand how clients get their next promotion and help them get there with their solutions.
- 2. Flawless Execution:** No idea—no matter how great—is worth anything unless you execute on it. While numerous firms claim to have great ideas, only the best truly bring those ideas to life. They ensure a seamless experience from discovery to evaluation, from the selling process to contracting, from onboarding to impact, and from impact to improvement. Genuine partner firms do what they say they will do.
- 3. Accountability and Adaptability:** Let's face it, every relationship—whether it's married couples, siblings, best friends, and enterprise partners—goes through trials, mistakes, hard times, tough conversations, and even some heated exchanges. True partners are accountable for their mistakes and through their actions show how those mistakes will be mitigated in the future. They remain flexible in response to



changing business needs, shifting macroeconomic factors, and adjusting technical requirements. Moreover, true partners will point out when you make mistakes and challenge you to get better. The best relationships are often forged in fire. True enterprise partnerships are no different.

Reading through this, you've likely recalled the firms you've worked with over the years, remembered fondly the rare few that truly earned the title of “partner” and the rest that fell short. It's my hope that more solution providers strive to become true partners, and that firms can find those unicorns who know your business, but also execute with accountability and adaptability.

When looking for a new enterprise partner, ask how their clients would say they executed against promises made. Has the partner been accountable and helped the firm realize true business success? Try to get a couple of adjacent phone calls scheduled to confirm the answers.

You might also look for a partner that brings an array of skill sets, processes, and configurations at scale—one where their brand promise remains steadfast, and their commitment to the financial advisor community is unwavering. ■

Dave Goes is President of Enterprise Solutions at Advyzon, a digital transformation company focused on building the most comprehensive tech platform for independent financial advisors, financial professionals, and financial institutions.

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Advyzon



Category: TAMPs Model Marketplaces

Winning Initiative

Nucleus Model Marketplace by Advyzon Investment Management

Initiative Description

Advyzon Investment Management (AIM), the investment arm of the comprehensive Advyzon technology platform, introduced Nucleus in Spring 2023 as the next evolution of its all-in-one investment solution. Fully integrated with the award-winning Advyzon platform, which is built on a single source code, Nucleus offers a seamless experience for advisors. The addition of the Nucleus Model Marketplace further strengthens AIM's investment capabilities by enabling advisors to curate customized portfolios, combining advisor-defined, AIM, and third-party investment manager models within a Unified Managed Account (UMA) structure. This powerful enhancement provides greater flexibility and control, empowering advisors to deliver tailored investment strategies to their clients with ease. Nucleus currently has more than 270 strategies available from over 50 asset managers, including AIM, BlackRock, Fidelity, AllianceBernstein, JPMorgan, Zacks, and other top third-party management firms.

The key objectives of the Nucleus Model Marketplace are to:

- Create a top-tier model marketplace within a full-service investment solution
- Give advisors access to a plethora of model portfolios from top strategists and money managers to offer solutions for every client, investment philosophy, and risk profile
- Provide advisors with comprehensive investment selection and modeling to deliver portfolios that provide better risk versus return over time
- Receive high client satisfaction ratings and implement users' requests
- Continually enhance Advyzon's top-rated, all-in-one tech platform for advisors
- Support a fully comprehensive solution for advisors to run their firms

Advyzon Investment Management and the Nucleus Model Marketplace continue to make a significant impact on the advisor community by providing advisors with a truly comprehensive solution to run their firms, empowering advisors to achieve operational efficiencies, serve clients better, and work on their business—not in it.

Other services include:

- Partner Traded Models – Advisor created and AIM traded
- OCIO Solutions
- Personalized Indexing Engine
- Tax Overlay – Transition Optimization and Ongoing Tax-Loss Harvesting
- Fusion – Manager Sponsored Platform



Company Profile

Advyzon provides comprehensive wealth management technology, as well as investment solutions through Advyzon Investment Management (AIM), for independent financial advisors, financial professionals, and financial institutions. The Advyzon platform combines portfolio management, customizable performance reporting, trading and rebalancing, client web portals, mobile apps, CRM, client billing, and secure document storage, along with investment solutions and a model marketplace offered by AIM.

Founded in early 2022, AIM was the natural evolution of Advyzon's offering based on client surveys and consultations. AIM's investment solutions and high touch service model allows financial advisors to achieve operational efficiencies and provide comprehensive investment selection and modeling, while empowering them to work on their business, not in it.

AIM is a registered investment adviser registered with the United States Securities and Exchange Commission, and a wholly-owned subsidiary of Advyzon. All investment advisory services are provided by AIM, while some technology and administrative support services are provided by Advyzon. AIM's advisory services are available to financial advisers for use in managing assets for their clients. AIM and Advyzon do not provide services directly to retail investors.

What's Driving Advisor Attrition? It's Not What You Think.

By Darren Tedesco

ADVISOR 360°

There's no denying that advisor attrition is a significant challenge facing the wealth management industry. Firms that turn a blind eye to high turnover risk negative consequences, such as lost revenue, disrupted client relationships, and increased recruitment and training costs.

Our research sheds light on the extent of this issue: not only did a staggering 92% of advisors we surveyed last year tell us that they would consider switching firms due to poor technology, 44% said they already made a move. As part of [this year's research](#), we dug deeper to find out more.

What's Driving the Mass Migration?

While compensation is still key, our recent survey of 155 financial advisors who had switched firms within the last three years found that it's not just about the money. More than anything, technology plays a pivotal role in the choices advisors make about where they want to work. In fact, 79% of advisors we surveyed considered technology to be a primary factor in their decision to switch firms, surpassing even compensation.

Advisors want better technology for themselves and for their clients. They want tools that enable them to serve clients more effectively, bring on new clients more efficiently, and streamline their operations.

Advisors also named career growth and improved work-life balance as key reasons to make a move. Better technology can play a big role in helping advisors achieve these as well. Workplaces that lean into innovation and efficiency are better equipped to support advisors in their quest for both personal and professional fulfillment.

Good Tech = Satisfied Advisors

Nearly all advisors (98%) in our survey faced technology challenges at previous employers. Lack of end-client capabilities was their chief technology complaint, followed by bad data



and a lack of access to preferred tools or systems.

Once settled in at their new firms, advisors reported productivity gains compared to their former workplaces. Reporting tools, client-facing apps, and AI-driven tools were the biggest game-changers for advisor productivity. And digital onboarding served to significantly streamline the process of transitioning clients.

There's also a direct correlation between advisor job satisfaction after switching firms and the technology at their new employers. Eighty-six percent of satisfied advisors reported that their new firms' technology met expectations.

On the other hand, all advisors who regretted switching firms said the technology at their new employers did not meet their needs.

The Grass Can Be Greener

Without the right tools, financial advisors can't provide the level of service their clients expect. Poor technology isn't just an inconvenience—it's a roadblock to career and business growth. Wealth management firms that leverage technology in 2025 to create more attractive and supportive work environments will be well-positioned to capture advisor talent and prove that the grass is, in fact, greener on the other side. ■

*Darren Tedesco is President of **Advisor360°**, a leading provider of integrated technology for wealth management firms. The company's award-winning *Connected Wealth Report* research series examines the impact of technology on the business of wealth management.*

Learn more at www.advisor360.com, [LinkedIn](#) and [X](#).



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Tech-Driven, Relationship-Focused: The New Standard

By Greg Bogich
ACQUIREUP



Imagine this: over 60% of people would rather discuss politics—or even death—than open up about their finances. Yes, money talk ranks below polarizing debates and grim realities. Now layer on this fact—in 2024, the average person clocked nearly seven hours a day glued to screens.

What do these figures reveal? A fascinating paradox in wealth management. On one hand, financial conversations are deeply personal, requiring a human-centered, relationship-driven approach. On the other hand, today's consumers demand fast, tech-driven solutions that align with their digital lifestyles. Striking the perfect balance between these two priorities is the defining challenge—and opportunity—for advisors navigating 2025 and beyond.

Where High-Tech Meets High-Touch

Wealth management today requires more than a robust tech stack. While tech saves time and streamlines processes, its true value lies in enabling financial professionals to deliver meaningful experiences that resonate with clients and prospects. Your CRM is the backbone of this effort, but its effectiveness depends entirely on how it's used. It must first be user-friendly, fulfill compliance needs, and integrate seamlessly with your other platforms. Beyond that, maximizing its full potential requires actively inputting and tracking data, then analyzing that data to foster stronger relationships.

Start at the Top of the Funnel

Client relationships begin when a lead enters your funnel. Understanding your prospects' demographics and psychographics allow connection on a more personal level, setting the foundation for long-term trust. Here are some examples:

- **A lead has young children?** Invite them to a family-friendly event or share resources on education savings plans.
- **Spot a job change on LinkedIn?** Send a note congratulating them and offer insights on managing 401(k) rollovers.
- **Know they attended a retirement planning seminar?** Reference it in your communication and suggest a deeper discussion on their long-term goals.

Powerful Martech solutions are available that provide deep consumer insights, allowing personalized interactions that build trust, establish rapport, and smoother conversion.

Nurturing Your Book of Business

Client engagement doesn't stop once a prospect becomes a client. Lack of communication remains the top reason clients leave their advisor, making consistent, tailored touchpoints essential. Advanced tools can streamline these efforts, allowing you to focus on strengthening relationships without adding extra hours to your workday.

Here are ways to nurture your book effectively:

- **Segment your clients for tailored outreach.** Group them by interests, life stages, or financial goals to send relevant updates and opportunities.
- **Automate touchpoints.** Schedule check-ins, share timely articles, or send reminders about important deadlines—all customized to each client's situation.
- **Deliver value through insightful content.** Share resources that address their specific needs, whether it's retirement planning, investment strategies, or estate planning.

By leveraging advanced engagement platforms, you create the personalized, high-touch experiences clients crave while optimizing your time and resources.

Future-Proof Your Practice

Contrary to popular belief, Millennials view advisors as their most trusted source of financial advice while Gen Z ranks them second only to family. This trust creates a powerful opportunity to engage these generations by providing the convenience they expect and the authentic connection they value.

Now is the time to invest in the tools, strategies, and systems that ensure every interaction—whether in person or online—feels personal, impactful, and lasting. By using technology to deepen relationships rather than replace them, you'll secure your place in the future of wealth management. ■

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