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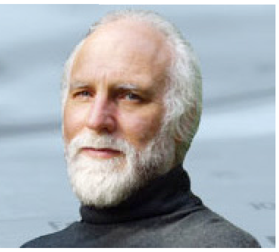
inside information



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Special to this issue:

Back to Why

Synopsis: ***I had to travel all the way to Birmingham, England to find one of the best conferences on the practical aspects of life planning.***

Takeaways: ***Implement 'the bet' with your own clients, and change the value proposition from investment returns to the changes in their lives as a result of your service.***

I recently attended (and spoke at) one of the most interesting conferences on the planning circuit: the Back2Y conference (*https://www.back2y.co.uk/*) in Birmingham, England. Its producer, Paul Armson, is a pioneer of life planning (he calls it "lifestyle planning") in Europe, charging fees for helping clients organize their financial and personal lives so that they can live (as he put it to me) "the best version of themselves" or (as he also said at the conference) "the life of Riley."

'Back2Y' is shorthand for the goal of bringing client conversations "back to why" they're on this planet in the first place.

Armson says that he created the conference in 2013 on kind of a dare. He was complaining aloud that most conferences he attended were heavily sponsored, featured sponsoring companies delivering their marketing agendas from the podium, and focused not on the important issues of improving clients' lives, but on investing or practice management topics that he found peripheral to real planning.

So he started his own

and input. According to the survey system, it takes an average of 8 minutes of your time.

EARLY WARNING

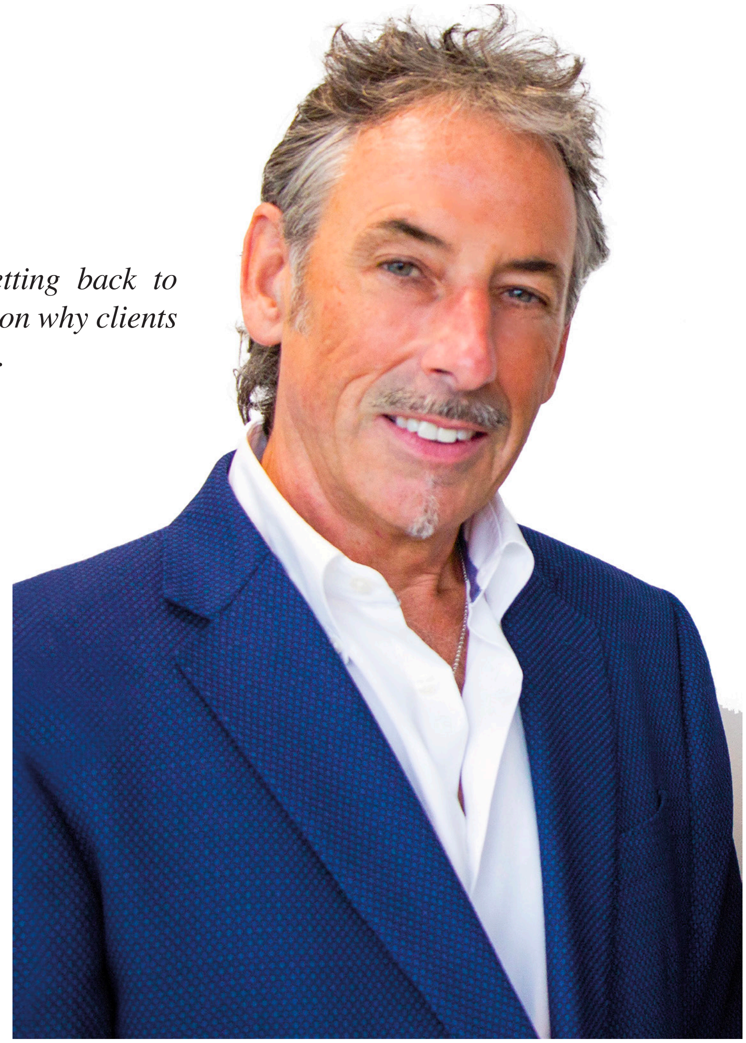
- Next month (December) I'm going to participate in a roundtable discussion of the future of the profession, and I want you to have a seat at the table. Tell me: *What are the most important issues that need to be addressed by the various organizations that serve financial planners? What needs to happen for the financial planning industry become a profession?*

The goal is to identify a way forward that we, collectively and individually, can move forward to become a profession, and (in addition) to shift market share away from the conflicted brokerage model to the fiduciary advisory community. What do YOU need to be more effective at providing great service to clients and attracting more of them? And what regulatory/congressional lobbying efforts would you think would be most effective and helpful? Send all your suggestions to: bob@bobveres.com and I promise to represent them fairly in our discussion.

Meanwhile, please, if you haven't already, participate in our Software Survey: https://www.surveymonkey.com/r/T3SoftwareSurvey. We're going to close sometime after the first week in December, and we want everybody's feedback.

conference that would intentionally avoid all those distractions from what he felt was important. The result was 600 professional advisors, all paying their conference fee with no exhibit hall distractions, listening to speakers talk exclusively about how they delivered lifestyle planning value to their clients.

Armson also consults with advisors who want to move past asset management to a more personal financial planning approach, and has written two books for the profession: *"The Financial Advisor's Survival Guide - How to Succeed and Prosper in a Fee-Only World,"* and *"The 7 Habits of Highly-Successful Financial Planners - How to really matter in the lives of your clients."* He seems to have a significant following on the global financial planning scene; at the conference, I met advisors from the UK, the Netherlands, France, Australia, Canada, the U.S. and (as you'll see in a minute) Brazil.



Paul Armson: *Getting back to the most basic reason why clients want and need you.*

Incremental progress

One of the best speakers at the meeting was Matt Anderson, a Chicago-based personal coach, talking about "The Road Rarely Taken." The gist of it is that most people set big goals for themselves and then, when they don't achieve them quickly, they give up in frustration.

The solution? First, set a goal, not on outcomes, but on the person you want to become. Then focus on making 1% growth toward becoming that person. Make that 1% progress continuous, day by day, month by month.

Anderson talked about retraining your subconscious mind—where, he said, 95% of our behavior is based—to believe in incremental progress. "To get through the valley of disappointment, you have to remind yourself that this process is going to work eventually, incrementally," he told the audience. "He also recommended that we get in the habit of making ourselves somewhat uncomfortable, which helps us grow. "Top achievers view resistance differently from most people," he said. "They understand that resistance is actually a sign that we're on the right track."

But how does this work procedurally? Anderson asked us to list two things that we really want to happen, and then list three reasons why we haven't done them yet. What can we do to address those three reasons? For most attendees, the reasons actually didn't make sense; the truth is, we were ignoring important goals in the day-to-day clutter of our lives. But articulating the reasons made it easier for us to dismiss them—or, in the few cases where they were valid, address them head-on instead of vaguely wishing that we could move forward and feeling helpless because it wasn't happening.

A more precise recipe for moving forward came later.

Anderson laid out a matrix of 1% ideas to implement. We would write down ten ideas worth doing, and for each of them, list a "first action step" that would move us incrementally closer to that goal. The first action would have a start date which we would commit to, and then, interestingly, after each action step, we were asked to think about who could help us with it.

We were given a calendar which let us list the new daily habits that would take us closer to the goals, and we would check off each day that we implemented that habit right there on the calendar, so we could see whether we were actually following through. (There was also a "habits avoided" section for those of us who want to ditch distractions that have become engrained in our schedules.)

To retrain our subconscious, Anderson asked us to write out an ideal life in the present tense (not the future tense), and repeat these things right before we go to bed, and the first thing in the morning. "Your subconscious has trouble knowing the difference between your affirmations and reality," he said. "Before long, you'll be living in a new reality."

Then get in the habit of stopping yourself periodically during the day. Ask yourself: *"Is this how I want to be in this moment?"* "Most of the time, we are not at our best," Anderson told the group. "So you make an instant course correction to get back on track."

Finally, he asked all of us to "notice miracles"—that is, the many interesting and remarkable things that surround us all the time. "Get in the habit of marveling more," he said.

Instead of trying to make big changes in your life, and getting discouraged, try making daily 1% changes and having faith that the process will work.

Deep listening

Another session I found valuable was the presentation by Mitch Anthony, author of *"StorySelling for Financial Advisors," "The New Retirementality"* and *"Your Clients for Life,"* co-producer of a coaching community called ROLAdvisor ('ROL' standing for 'return on life').

Anthony said that the key to helping clients achieve better lives is to actively listen to their goals and desires—which, he said, most of us are not very good at. Then he listed some of the inhibitors of effective advisor-client conversations:

A self-focused agenda. Anthony illustrated this with the story of two Hollywood executives having lunch together, where one of them says: *"Enough of me talking about me. How about YOU talking about me for a while."*

Ego-centricity. Anthony said that we are all narcissists to some extent; we want to impress others, so we barely listen to what another person is saying while we wait for the opportunity to say something that we hope the other person will find interesting and informative. "It takes a lot of patience to let people finish their thoughts," said Anthony.

Experiential superiority. This is the instinctive desire to decide that you know what the other person is saying without letting the other person actually tell you. It manifests when someone says *"I know where you're going here. I have a lot of experience with that. Let me talk awhile."*

This can also manifest in trying to top whatever anyone else has said. The example: someone tells you they once managed to climb to the top of Mt. Kilimanjaro, and you reply: *"Oh, that's nice.*

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I've climbed Kilimanjaro five times barefoot."

Defensiveness. If you've made a mistake interpreting what you heard from a client, and are corrected, you argue that you were actually right all along—hoping to make the other person give in.

Talk Show Host. Talks endlessly, falls in love with the sound of their own voice, and dominates with entertaining monologue.

The gist of it is that clients need to know that they've been heard, and (better) they want to feel important when you're together with them—that you "get" them. And finally, they want to achieve mutuality: an agreement that these are the steps that you and they will take together.

At the end, Anthony talked about how he asked for a meeting with an executive who he didn't expect to have time for him, and was surprised that the executive granted the meeting. At the end, the executive blew him away by asking:

Did this meeting meet your expectations?

Is there anything else we need to talk about?

Have you gotten everything you hoped for out of this conversation?

Anthony said that this is a magic way to end a conversation with clients, and as a bonus, if you are in the habit of asking these questions, it requires you to show up fully for the conversation.

"The bet" asks clients to live on 95% of their current income instead of 100%, and see if LifeFP's services are making a big difference in their lives.

The bet

The most interesting presentation I saw at the Back2Y meeting featured Andre Noveas, who runs a 12-year-old lifestyle financial planning firm called LifeFP, with offices in various cities in Brazil. The firm now works with 4,900 clients (that is not a typo) served by 60 planners. "We decided, from day one, that we were in the trust business, and not in the money business," Noveas said early in the presentation. Another decision: to work with every kind of family, from those living paycheck-to-paycheck to people with significant investment assets.

That means LifeFP doesn't bill on client assets. Instead, Noveas and his team have one of the most interesting closing techniques I have ever seen with clients.

It's called "the bet." For its planning services, LifeFP charges 5% of the income of both spouses, regardless of how much or little that may be. The money comes out of their credit cards every month. And this is the source of 'the bet.'

"We say to them: *Today you have 100% of all your income to live on,"* said Noveas. *"And you are leading the life that you are leading. If you walk away from here, you will continue to have 100% of your income and you will continue to lead the life you are leading. That is one possible future for you.*

"*But*," Noveas or one of his advisors will tell the prospect, "*let's imagine another possible future, where you are living on 95% of your total income. You work with us for three to four months on 95% of your income. You have a chance during that period to realize whether our services are worth retaining or not. Let's say that within four months, you have come to realize that this is not working. It is not for you. You go back to 100% of your income, and the life that you were leading before.*

"But perhaps over those four months, it DID work for you. What if you are living on 95% of your previous income, and your perception of your life changes. You're feeling better. You have less anxiety. You have more clarity. You feel safer. You and your spouse can have better conversations about your finances. Would you continue to work with us, if that happens?

"Why don't we start?"

***Andre Noveas:** Getting into the trust business.*

And then the LifeFP advisor recommends that the prospective client not sign anything right away. "We tell them, *it's a fairly easy bet. But I want to give you some time to think*," said Noveas.

He invites them to talk with advisors at one of the big banks which dominate financial services in Brazil, and compare the offer LifeFP is making with what the banking representative will do for them. *"See what is their proposition,"* said Noveas. *"See how they develop the conversation with you. And then focus on how you feel about the way that we talk with you and the way that the other person talks to you.* We want them to do that, because we want our potential clients to have perspective," Noveas told the audience. "We want them to hear our offer, and to hear theirs. We're confident that they will see the contrast—and that is what they need to start the relationship with us, and actually want to buy into the process."

Of course, clients can cancel the arrangement at any time; Noveas tells them that *'it's easy to get in, and easy to get out.'* He told the audience that three out of seven clients will cancel the arrangement in the first six months, but after that the renewal rate is over 80%. Because the clients are so diverse, they are paying very different rates, but the average monthly fee is 180 British pounds, US$230.

What does the planning process look like? "There are three kinds of problems that we encounter," said Noveas: "External problems, internal problems and what we call philosophical problems."

Clients come to LifeFP with external problems. "It may be: *I have debt. I'm not sure about my investments*. Or: *my spouse and I are arguing about money*," said Noveas. "The internal problem is: *if I can't have a good conversation with my spouse about money, our relationship is not healthy and it flows over into intimacy problems*."

The LifeFP planner will spend the first half hour focusing on identifying problems that can be solved. "You help your clients realize the problems that they have," said Noveas. "We tackle the manifestation of the problems, and gradually we bring up the philosophical problems that we all face: which is, basically, *am I living the best version of my life?*"

The acronym description of the process is PSA, which stands for 'problem, solution, aspiration.' "In each meeting, we try to articulate a sentence, one sentence, which says: *This is the problem you are facing, this is the solution that we want to propose to you, and if that happens, this is how your life would look like*," said Noveas. "With each client, they need to see what is behind the solution, and it can be quite powerful. You help your potential client articulate the problems they are facing, and then you know how to say: *this is the solution we have for you*—which you don't deliver because they haven't hired you yet—and then you show them what their life will look like once the solution has been delivered. I believe," Noveas continued, "and our numbers prove it, that they have a higher chance of hiring you and a better understanding of your value proposition if you craft that important sentence."

Noveas said that many of his planners have stopped using 'the bet' because so many of their clients are telling their friends about it. "Usually you need to do that bet with your first 10-15 clients," he said. "After that, your clients tell everybody they know about the bet that they made a year ago, and people call you and ask about life planning."

The business of trust

But… the firm doesn't manage client assets? No, it doesn't. "We might go to meetings with their broker-dealers," said Noveas, "but we sit on the same side of the table, and the money manager sits on the other side. People tell us that we're leaving money on the table," he added, "but in our view, the more money we leave on the table, the more our clients trust us. You have a decision about what kind of business you're in. Are you in the business of money or in the business of trust?"

Later, Noveas pointed out that he and his firm can't control the markets. "So," he said, "how can we be compensated based on something we can't control?" Instead of an assets under management formula, he said, LifeFP operates under a "dreams under management" formula, where instead of talking about performance relative to the markets, his planners talk about whether to reinvest or spend any extra money that comes in.

"We might say: *How about if you dream a bigger dream?*" Noveas added. "We say, *You are on track to be able to afford one, but what is it?* Our favorite conversation is: *How could you spend the money now?* That is not a conversation you want to have if you are working for assets under management," said Noveas. "But we often recommend gathering up your kids and going on a family trip. Those are much better conversations to have."

Noveas's firm will train people to become CFP planners, and then he chooses for his own firm the cream of the crop.

There are several other aspects to Noveas's formula. One is that all of his planners are getting their own life-centered planning from other people in the firm; at one point, Noveas said that he made the intentional decision not to be a life-centered planning firm, but a firm of life-centered planners.

Noveas also has a brilliant process for recruiting. Some years back, he created something called the Life Academy, which trains laypersons to be financial planners. This is a profit center: more than 1,000 people a year sign up for one of four online courses, which also have a life planning component to them.

Yes, Noveas admitted, he is training his competition, and he proudly boasted that many of the people with the CFP certification in Brazil today are graduates of his Life Academy.

But here's the key: Noveas will hand-select which of the aspiring planners he wants for his firm. He wants, he said, people who want to become the best versions of themselves, and want to help others achieve the same thing—and those, he told the group, tend to be rare and hard to find.

The Noveas presentation was the buzz of the conference, but many of the 600 attendees at the Back2Y meeting seem to be on a similar path, all comparing notes on how they can create a viable business helping themselves and others be their best selves.

I had no idea that life planning had taken such a strong hold internationally, but my sense is that the overseas market for the next stage of great planning work is just as strong as it is in the U.S.—which means that a small but significant number of people are exploring better ways to tie their financial advice to client life goals, and help their clients live better lives.

Back2Y was one of the "best" conferences that Michael Kitces recommends each year, and I second his recommendation. ■

'All-In' Celebration

Synopsis: ***The Schwab IMPACT conference featured a gigantic exhibit hall, great after-parties and an appearance from the founder himself.***

Takeaways: ***Look for Schwab to offer banking/lending services that you can offer to clients, and more customized consulting services.***

My experience with the annual Schwab IMPACT conference is that it tends to be more of a party than an educational event; that is, the conference organizers are creating a way for successful advisors to celebrate themselves for the assets they've brought into the Schwab platform. This is certainly not a trivial endeavor; the firm now has $5 trillion under custody, which makes it the continuing market share leader in the advisor custody space. Congratulations all around!

What made the conference interesting this year—what I looked forward to—was the firm's explanation for abruptly eliminating commissions on stocks, ETFs and options. Even without trading commissions, the firm still has many millions of dollars rolling in on the spread between its money market account and cash returns elsewhere in the market, and millions more in various platform, 12(b)-1 and subTA fees paid by mutual funds for the privilege of having Schwab serve as the conduit for such inflows as are coming under their management these days. But how often does a large firm suddenly decide to leave money on the table?

Meanwhile, keynote speakers Tim McGraw and celebrity photographer Platon offered insights about life and success, but they're both fundamentally there for entertainment. For the closing party, attendees flooded Petco Park, the stadium home of the San Diego Padres, and enjoyed a catered private concert by the popular band One Republic.

> ***I was interested to see how the Schwab executive team would explain the move to zero commissions.***

The other notable feature is an exhibit hall that is so massive that you could have marked off gridlines and held a football game in a corner of it. It was filled with actively-managed mutual funds—one of the few places where virtually every fund group had a booth. Yet while I was there, most of the attendee traffic seemed to be centered around a technology alley, where kiosks were set up in two long lines for a few dozen tech vendors to display their solutions to your various practice challenges.

There were a variety of announcements, including an upcoming move to fractional share accounting that will benefit smaller investors who want, say, 1% of their portfolio to be invested in Berkshire-Hathaway. Another important announcement was a $500,000 dollar-for-dollar matching contribution to the Foundation for Financial Planning's "Future of Pro Bono" Anniversary Fund.

Advisors perked up when Schwab COO Jon Beatty, in his opening address (later clarified in a private interview) said that Schwab Advisor Services is reorganizing its consulting and advisor support efforts. The company will be providing more customized assistance to firms of different sizes and practice management sophistication, and also to putting more emphasis on digital support as software becomes more complex and important to practice efficiency.

View from the top

The explanation for zero commission trading came during a main stage keynote that started with Schwab Advisor Services CEO Bernie Clark, then proceeded (in the same session) to a sit-down with Clark and Schwab CEO Walt Bettinger, and finally (still in the same session) to a sit-down between Clark and Chuck himself—company founder Charles Schwab. They reiterated the conference theme ("all-in") repeatedly in various ways, talking about each other, the company, advisors—we were all "all-in." These sessions seldom telegraph what's on the drawing boards or give what would traditionally be called "news," but if you pay attention, you can see glimmers of what the management team thinks about the advice model.

Clark told the audience that the entire financial services world seems to be reaching an inflection point, where the independent advisor profession (the words "financial planning" were never used) is emerging as the dominant vector for financial advice, where the fiduciary standard is finally starting to matter in the marketplace, and where changes are coming at the profession and the industry at large faster than they ever have before.

"All-in, to me, means fiduciary," Clark said, "which means doing all the right things and making sure you are taking care of business in a way that makes all of us proud of what you're doing. It's digging deep, not holding back, body, mind and soul coming together." Later, he told the audience of more than 4,000 advisors: "You being all-in built this industry.... In the last ten years, the size of this profession has tripled."

I winced a bit as Clark publicly celebrated mostly giant firms (who undoubtedly do more business with Schwab than rank-and-file advisory firms): Dynasty Financial Partners, Hightower, United Capital, Buckingham, Financial Engines, The Mutual Fund Store and Edelman. But later he said to the attendees: "You are not wealth managers any more. You're life managers. You have changed the lives of countless people and helped them realize their dreams."

Chuck Schwab told the audience: "I hated commissions. I hated them then. I hate them today, and we took them away"

Finally, he said: "I promise you that we will continue to work on our efficiencies and scale, because we are growing with you, and we all have to be more efficient as we craft the future together."

Bettinger finally talked about the decision to move to zero commissions, telling the audience that it was "one of the most important steps to fulfilling Chuck's vision," and (this is hard to imagine) that the October 1 decision to eliminate commissions on individual securities and ETFs was actually 20 years in the planning. He added that the firm only made the move to zero commissions when it was confident that there would be no trade-offs—that is, it would not impact the service or customer experience. "We are grateful to still have pre-tax margins measured in the 40s," he told the audience. "We give up a couple percent in revenue; planned for, prepared for, now implemented, and now we look forward to reaping the benefits."

What benefits? "We disrupt on behalf of you as well as end investors," Bettinger said. "If you and end investors respond by giving us more business, that leads to better financial results and better metrics, which we then turn around and try to share back in an appropriate proportion to all constituencies, to start that cycle all over again."

And later: "If we can have investors who are not your clients question the organization they are working with [because they still charge commissions], that puts them into the consideration population. Once they start to consider alternatives, that's when we think you can attract them."

Apparently, the Schwab team thinks that most of the asset management activities are becoming commoditized; Bettinger noted "the commodity areas, like trading, buying and selling a security, or even relatively straightforward asset allocation, rebalancing and tax-loss harvesting. Those things are either commoditized already or heading in that direction relatively rapidly."

What is NOT customized? "Life planning and playing psychiatrist during periods of high volatility in the market are not commoditizable types of services and experiences," said Bettinger. "We all know where you need to go in adding value and providing special customized services for your clients."

He added that independent advice is "a better model, that aligns the interest of the investor [with advisors] and removes the vast majority of the conflicts that can exist in the traditional models. And of course," Bettinger added, "what we want to do is do everything we can—as the advisor business is so core to our corporate strategy—to encourage people to work with an independent advisor."

That led to a discussion of Schwab's move into providing lending services for advisory clients. Clark and Bettinger were careful to position this, not as cross-selling other services (to make up for the lost commission revenue?), but as a competitive advantage for advisors.

"The other side of the balance sheet is becoming increasingly more important," said Clark. "I think the traditionals are still thinking that that is their spot," he added; "that they can come in and disrupt your relationship with your clients by getting in on the lending side." Bettinger added: "You [meaning the audience] have helped us identify just how critical this capability is as you compete with some of the traditional firms. We do not want you to be at a single slice of disadvantage relative to traditional firms when it comes to lending. You will see us introducing more and more lending capabilities, so that you can compete effectively as you bundle together banking and lending with life planning and wealth management."

They offered few details, other than to say it would involve more sophisticated mortgage lending and unsecured loans, and would be appropriate not just for the wealthiest clients, but middle market clients as well.

"I hate commissions"

The "all-in" theme continued when Schwab came out—only the second time he has addressed Schwab's advisor audience. In a video before he walked out, he talked about his early years as an analyst with a Wall Street firm, and frankly admitted his instinctive hatred for the whole Wall Street business model, and his hatred for commissions in general.

He talked about his early struggles getting his firm off the ground, the problems with getting funding and the attention of consumers, and it was interesting to hear a David vs. Goliath story from a David who started out mortgaging his house to buy tech tools and hire staff, who now happened to be a billionaire.

One of the first things he talked about when he came out was that as a Stanford student, he had worked part-time for an investment advisory firm in Menlo Park, CA, and got a taste of real financial advice before he entered the Wall Street world—and without that experience, he might not have realized how conflicted the brokerage model really was.

"It was my time at that company that made me realize what you guys do every day," Schwab told the group. "And I have to thank you for it." Later he added: "I hated commissions. I hated them then, I hate them today, and we took them away."

At that point, you realized why he had chosen this year to come out of the corner office to talk publicly: the no-commission announcement was, of course, designed to increase competitive pressure on other custodians, but in Schwab's mind, it is more importantly a dagger aimed directly at the heart of the large investment banks. This was a moment of triumph in the long campaign to supplant Wall Street with a more client-focused model.

In the exhibit hall, the mutual fund vendors were noting pointedly that the commissions on funds had not been eliminated. Leaving in the fund commissions may be a way of justifying the 40 basis point fee on assets coming from the platform (the actual amount is negotiated on a firm-by-firm basis), which Schwab executives insist is not a shelf fee, but that it instead offsets the expenses of doing those fund trades on behalf of the companies.

But the buzz overall was positive and actually festive among advisor attendees, who attended expensive after-hours gatherings, dinners and the aforementioned concert at Petco Park. Many of them carried copies of Schwab's new book, entitled "*Invested*," as they celebrated another year of taking market share away from the brokerage firms.

I got the sense that the firm was aware, more than it ever has been in the past, that the advisor population may be a more effective weapon than the discount brokerage operations against the Wall Street business model—and therefore closer to the core mission at its founder's heart.■

Software TAMP

Synopsis: ***55ip offers you an automated way to do sophisticated tax-loss harvesting and show prospects how to lower their investment costs.***

Takeaways: ***Clients can set a 'tax budget' when migrating gradually to your target portfolio, and harvesting losses takes place in the context of a complex algorithm that assesses other possible outcomes.***

Where, exactly, do you draw the line between a turn-key asset management program (TAMP) and asset management software with automated features?

This question arose in my mind as I was looking at a demo of a brand new portfolio management solution called 55ip (https://www.55-ip.com/). When I say "new," I mean a company that launched earlier this year, which now has 40 advisory firms using the system, with roughly $800 million in assets.

The service was developed as a quantitative research platform for hedge funds, called Ada Investments, with the algorithms (described below) developed by Dr. Vinay Nair of MIT and Wharton, and Dr. Leonid Kogan, also of MIT. "Our goal was to help hedge funds provide 8% annual returns with low volatility, as an uncorrelated investment," says chief operating officer Sachin Shah. "But then we thought it would be really cool if we could use this quantitative research platform to allow investment advisors—a broader market—to build more sophisticated models for their clients."

How does it work? Suppose you have an appointment with a prospect who has been working with the brokerage office down the street. You invite the prospect to share with you his current portfolio, which you put on a spreadsheet, with the cusip numbers, and upload into the 55ip system. (Alternatively, you can send the statement to 55ip and its staff will input the client's current portfolio.)

> ***55ip is basically a hedge fund quant tool that has been fitted to the planning profession's portfolio management activities.***

Then you log into 55ip (it's web-based) and use a highly-automated portfolio creation tool. You start by creating a broad asset allocation (let's say 70% stocks, 30% bonds) and then, if you want, you can break these broad allocations down into subcategories: 35% large cap U.S., 15% small cap, 20% international large cap—or whatever. As an alternative, you can select some volatility parameters and let the 55ip engine optimize the subcategories—an interesting portfolio-building feature I haven't seen anywhere else.

When the allocation is set, 55ip will select an optimal set of ETFs designed to fit the parameters you've created. The system deliberately selects a lot more moving parts than you or I probably would have selected—as in: 11 different sector ETFs to mimic the performance of the S&P 500, in order to provide tax-loss harvesting opportunities throughout the year. (More on that in a minute.) The selections are made based on expense ratio and liquidity. "We don't want to be in an illiquid ETF when we want to trade," says Shah.

In a demo, Shah showed me the prospect's existing portfolio and the proposed portfolio side-by-side, in a colorful chart and also lists of the individual holdings. 55ip has calculated the estimated average annual return and volatility of each portfolio, the annual expense ratio of the existing and proposed portfolio, and it has factored in the advisor's annual fee vs. the asset management fee paid to the brokerage firm. (You, of course, supply your own fee.) The client will also see the benefits of a dynamic tax management strategy back-tested on the proposed portfolio, going back 15 years.

"At a minimum, the advisor would show that she can replicate the existing portfolio with limited tracking error," says Shah, and in the demo I see that the expense ratio of the proposed portfolio is 16 basis points, vs. 41 for the client's existing mix of funds and ETFs. On the side, we can see that the prospect would be saving more than $4,000 in annual fees by switching from the brokerage firm to you. The report also shows the possibility of generating a tax alpha of 61 basis points a year, on average, with the new portfolio.

So far, this sounds mostly like a software solution, right? Except that the software is selecting the actual ETFs that will go into the portfolio, which sounds a bit like a TAMP. "We have algorithms that optimize the portfolio for the lowest-cost ETFs and for optimal tax management," Shah explains. "And it minimizes tracking error against the major indices."

Through an integration with fi360, the software will display a fiduciary score for each iteration of the portfolios created by the advisor, which changes as we change the allocations.

Tax-aware migration

Let's say the client agrees to come onboard. The advisor has already created the portfolio that she wants to recommend, but now she has to migrate the existing portfolio to the new allocation. This doesn't create any tax problems with IRA assets, but the taxable accounts are a different story. So Shah takes me into the 55ip transition tool. "We capture the client's existing portfolio data [basis, in other words] at the custodian," he explains, "and our trade generation platform automatically builds the trade list that gets the client from the current position to the strategy that the advisor is recommending, and shows the tax cost in real time."

Ah, but what if the client doesn't want to take a big tax hit this year?

The proposal section of 55ip shows clients the difference in costs between the proposed and existing portfolios, and then back-tests for the tax benefits.

"In the case on the screen, the capital gains and ordinary income taxes triggered by the portfolio migration come to roughly $11,000, which might make the client wince. "Remember that in many cases, the advisor is having to match the gains and losses on a spreadsheet, which can be very time intensive," Shah tells me. "We automate the entire process. Within seconds we can tell you the tax impact, and then you can go in and create a tax budget, this year, next year, and you can see on the screen the tax impact and the tracking error to the target portfolio."

There's another element, however, this is not immediately evident on the screen. The 55ip system will optimize the trades that are made in that first year, under the tax budget, to reduce the tracking error as much as possible. "We're effectively building a completion portfolio during the transition period," says Shah, "such that the tracking error to the target portfolio is as limited as you want it to be."

Of course, clients can rope off legacy positions that they don't want to sell, and the system will create a completion portfolio around this limitation, getting as close as possible to the recommended portfolio's risk/return characteristics.

Opportunistic loss harvesting

I mentioned tax loss harvesting and rebalancing earlier, and Shah now turns to the ongoing portfolio management side of 55ip. The advisor can set parameters for rebalancing—say, a 5% deviation from the target allocation—and these parameters can be applied individually to each sub-asset class. But most advisors prefer to let 55ip handle the opportunistic tax-loss harvesting and subsequent rebalancing—and even do the trades for them. (Isn't this is beginning to sound more like a TAMP arrangement?)

"We make the tax-loss harvesting decisions based on machine learning and AI," says Shah, "applying the algorithms to a client's portfolio throughout the course of the year, optimizing opportunities to harvest losses."

In most cases, the advisor would set a maximum tracking error. And then the 55ip algorithms will do two things. First, it applies an options model to every tax-loss harvesting decision, weighing the value of taking the loss today against the potential lost opportunity of taking a larger potential loss tomorrow or next week, based on the volatility of the ETF, the volatility of the portfolio (the average price swings up and down), the client's tax rates and the tracking error constraints. This is a refined version of the rather crude process of simply rebalancing at set percentage deviations.

The other function of the algorithms is to replace the sold position with something that will mimic its performance, to reduce tracking error. In fact, Shah explains, 55ip will take into account not just the security being sold, but the entire portfolio (and, of course, all the positions being sold) to reduce total tracking error down to the lowest possible level, and in all cases below the threshold the advisor has set.

This tax-loss harvesting process is the reason that 55ip uses 11 sector funds instead of the SPDR ETF; it creates more moving parts and more chances that something has a loss to harvest in the normal movements of the markets. The other asset classes are similarly subdivided—which also explains why the system insists on its own ETF selections rather than what advisors select. But that said, Shah says that advisors can build their own models using their own ETF selections if they prefer—if they're willing to live with less robust tax-loss harvesting benefits. (This makes 55ip sound more like software.)

55ip uses 11 sector funds
to replicate the SPDR ETF--
so there will be more opportunities
to harvest tax losses in all environments.

"We do not sell off-the-shelf model portfolios," says Shah. "But that said, our advisor base has created an inventory of strategies that other advisors could use if they wanted to"—not unlike a model marketplace, which is neither TAMP nor software.

Cost reduction

55ip is an integral part of the asset management process at Vine Street Wealth Management in San Francisco, whose founder, Sasha Kovriga, used to be an equity portfolio manager for Osterweis capital. "I worked there for about 14 years, and then suddenly it seemed like everything was going passive," he says. "I felt like there was an opportunity on the wealth management side."

Kovriga's portfolio management goal is to reduce fees and costs for clients, and add alpha on the tax-loss harvesting side. "We use Orion for portfolio management and performance statements," he says, "but the tax-loss harvesting and portfolio design are the primary benefits we derive from 55ip," he adds. "55ip lets us add value on the tax side with low tracking error, and it's flexible enough that you can cerate whatever portfolio is appropriate for a specific client."

For most clients, Vine Street is trying to mirror the All-Country World Index for its equity allocations. "We have 55ip create a synthetic ACWI, rather than just buying the ACWI ETF," says Kovriga. "It creates tax-loss harvesting opportunities on a monthly basis, and 55ip also rebalances to keep the appropriate exposures." A typical portfolio will include 6-10 equity ETFs.

With new clients, says Kovriga, it is not uncommon for clients to balk at the tax hit of a full migration over to the portfolios he's recommending, so he will work with the client to set an annual tax budget—which could be zero, meaning that low-basis positions will be slowly migrated as tax losses are harvested to cover them.

"We explain that there is a tension between risk of tracking error and cost of taxes," Kovriga says. "Sometimes it helps that clients are at a low tax rate, which allows us to move over more quickly. And it helps that 55ip can quickly quantify these numbers for us in that first meeting."

Kovriga says that such efficient tax management with low tracking error probably wouldn't have been possible five or ten years ago. "Today, you have a phenomenal number of ETFs of every flavor," he says. "The ability to substitute, and the liquidity of this market, is very high today."

What, exactly, is the alpha value of tax-loss harvesting?

"That's the 64 million dollar question," Kovriga admits. "It depends on tax rates, and what point in the market you come in, and what the market has been doing." He is confident that there IS value, but whether it's 50 or 100 basis points, more or less, he can't say. "It's a pretty straightforward concept, and conceptually it makes sense," he says. "But I couldn't tell you a figure, and the tracking error and trading costs make it more complicated."

He adds that sophisticated investors will see the value on their tax returns, but as yet there is no clear way to create a quarterly statement showing a pretax and after-tax return, and the difference is the benefit of all the work that goes into tax-loss harvesting.

Is 55ip a TAMP or software? Kovriga calls it an outsource solution. "You give them the accounts, they invest it, you see what is in those accounts, and depending on the tax budget, they will rebalance or not," he says. "For us, it is super-simple."

Flexible migration

Brian Beasley runs a smaller advisory shop, with $55 million under management, plus some legacy trail commissions from variable annuities he sold to clients before filing as an RIA in 2013. His firm, Athena Private Wealth in Des Plaines, IL, starts with the Riskalyze platform, and then assigns clients to one of eight model portfolios created through 55ip, which conform to Riskalyze scores ranging from 25 to 77.

"The platform shows us the difference in cost between our portfolios and what those prospects have now," Beasley explains. "We can show the back-test of that strategy, and say this is compared to a benchmark that takes the same amount of risk. Here is the outcome over different time frames."

Migrating from existing to recommended portfolios in the taxable space is easy and flexible. 55ip lets clients choose a yearly tax budget.

Beasley says that migrating from existing to recommended portfolios in the taxable space is easy and flexible in 55ip. "They give us the ability to restrict a specific position, and that's been really nice," he says. "The other feature we use more often is the tax-aware transition, where we can input the tax budget."

Some clients, Beasley explains, will come in with loss carryforwards, and the client will want to limit the tax bite to that amount. The tax budget can be a certain amount the first year and a (usually smaller) amount in subsequent years.

Most of Athena's clients use the automated tax-loss harvesting and rebalancing feature. "We don't place the trades; they do it," says Beasley. "We could choose to receive instructions from 55ip, and we'd be the ones to pull the trigger on trades. But that's not something we've done on our end."

Is 55ip software or a TAMP? "At the start of the relationship, we sent our paperwork into Schwab, which basically said: please give our permission to 55ip to manage our accounts and make trades," Beasley replies. "But we give 55ip specific instructions; these are the features that this client wants on this account."

So it's an automated solution? "Tactically, I would say it's automated," says Beasley. "Strategically, we still have control. That's one of the things we liked about it, is that you're not completely delegating, if you don't want to, the entirety of your client assets into someone else's program. From our perspective, we have been able to keep a tremendous amount of control over specific features."

Most importantly, Beasley adds, there have been no unpleasant surprises for clients. "We have been able to go back to them and show them, our experience has been exactly what we would have expected, given how the markets have performed," he says. "That," he says, "is what we want to be able to tell them."■

Medicare Expertise in a Box

Synopsis: ***Here's how you could be that unusual advisor who gives advice to clients on their Medicare options.***

Takeaways: ***Be wary of the low premiums with Medicare Advantage, because the out-of-pocket costs are unknown. Always couple traditional Medicare with a medigap policy. For complex cases, individual consulting is available.***

Have you ever had trouble getting some of your clients to talk about long-term care and other estate planning issues like advance directives, a living will or a durable power of attorney? What do they tell you? That stuff is for old people, right?

I just previewed the new, enhanced version of i65 (https://www.i65.com/), a remarkably powerful software tool that helps advisors give advice on Medicare, whether clients are just turning 65 or are looking to switch policies in later life due to a medical condition. Medicare enrollment is a conversation that clients want to have with you, so being among the rare advisors who offer comprehensive Medicare advice could be a conversation starter on all those other important discussions that your clients have been putting off.

That can lead to some interesting digressions. "Our research shows that one out of every two baby boomers still believe that Medicare covers long-term care," says i65 co-founder Melinda Caudill. "So you discover that they plan to use Medicare as their long-term care plan."

The i65 software was created by 65 Incorporated, a consulting service provided by Medicare expert (and Insider's Forum presenter) Diane Omdahl, in Mequon, WI. The previous version helped advisors and clients figure out whether they preferred traditional Medicare Part A and B plus a medigap policy, or a Medicare Advantage policy offered by a private insurer. The updated program goes way beyond that, helping clients understand whether they want to keep their current employer's coverage (either as primary insurance if the firm has 20 or more employees or as secondary insurance if not), whether their circumstances better fit traditional Medicare or Medicare Advantage, how to choose a medigap policy in the client's state of residence, how much they can expect to pay for traditional Medicare and medigap coverage, and how to assess the potential out-of-pocket costs for any and all of the above.

> ***The Medicare conversation could be a perfect lead-in to estate planning issues the client has been avoiding.***

How does it work? The interface is dead simple to navigate; it simply asks pertinent questions until the software has enough information to deliver recommendations. The two-part process starts with a needs assessment. You and/or the client choose the client's state of residency and whether they are enrolling for the first time ("I will turn 65 within 12 months") or are looking to switch coverages. If the client is looking to enroll for the first time, is he or she eligible? ("Have you or a spouse worked and paid taxes for at least 10 years?") Or is the client already on Medicare because of Social Security disability insurance? Is the client covered by an existing policy through his or her employer? Is the spouse also on that coverage?

Is the client currently receiving Social Security benefits, or not? Obviously, if the client started receiving Social Security checks at age 62, the answer is yes. But many financial planning clients will start the Medicare enrollment process within six months of turning age 65, and turn on Social Security payments at age 70.

In this preliminary phase, the program also asks for information off of the client's most recent tax return—adjusted gross income and tax-exempt interest—which will be used to calculate the Medicare premium amount (the software automates the dreaded income-related monthly adjustment amount—IRMAA—calculation).

Finally, if the client indicated that he or she has existing employer coverage, the program asks whether the drug coverage of that plan is considered creditable. "That's one of those questions that nobody can answer," admits Caudill. "So we ask you to contact the plan administrator ahead of time, so you actually know that when you go through the roadmap."

Once the client has all the information he or she will need, the roadmap is the next step—which, as mentioned above, is an enhanced decision tree with many branches. Traditional Medicare plus medigap? Medicare Advantage? The current policy through the employer as the primary insurance? The current policy through the employer as the secondary (medigap) coverage? Government employees now have their own special branch, which Caudill says was one of the most requested features of the program.

Side-by-side comparison

Perhaps the most complicated decision comes when a client is still working and receiving partially-subsidized coverage through the employer, or is receiving coverage through a spouse's employment. The software walks you through this confusing choice: can the client continue coverage through the existing employer? SHOULD the client keep the existing coverage or switch to one of the Medicare options?

If the company plan covers fewer than 20 employees, the choice is somewhat less complicated: the client has to enroll in Medicare Parts A and B, or otherwise pay a somewhat draconian penalty. (An additional 20% of the standard Part B premium for the rest of the client's life, and for Part A, a 10% penalty for twice the number of years the client was eligible but didn't sign up.) The software then compares the cost of the current plan with some common medigap costs in the client's state of residence, along the way asking some questions about coverage.

If the existing company plan's drug plan is not creditable, then switching to traditional Medicare or Medicare Advantage is also indicated.

But suppose the client falls into a more complicated category, where the company plan covers more than 20 employees. The software calculates the cost of Medicare Parts A and B, based on the MAGI information collected in the initial quiz, and then asks for the monthly cost of the employer plan. Included is an average monthly cost of a medigap premium. Does the company include dental or vision coverage? (Medicare does not; if you switch to traditional Medicare, you would have to buy that coverage separately.) The software calculates deductibles, copays and co-insurances, to let the client see what kind of unexpected out-of-pocket costs he or she would have to pay in a health emergency under the current plan vs. Medicare.

i65 provides a side-by-side cost and out-of-pocket expense comparison between a client's existing health coverage and Medicare options.

Finally, i65 asks whether there are dependents on the existing plan. Since traditional Medicare offers only single person coverage, any switch to traditional Medicare would require the spouse (or, potentially, kids) to get their own policies, which is then factored into the cost/benefit analysis. The software adds in these costs based on marketplace averages published by the Kaiser Family Foundation.

There's an additional feature that looks at whether the client is contributing to a health savings account (HSA). Those valuable contributions would have to stop once the client switches to Medicare.

"HSAs are amazing retirement accounts," says Caudill. "So maybe it's worth it to delay Medicare and continue making contributions, especially if your employer is also helping."

The output is what you'd

expect: a monthly cost comparison, plus a side-by-side comparison of the various potential out-of-pocket expenses that could be incurred if the client were to have a significant health setback. What would have seemed like a monumentally complex analysis happens in seconds on the screen.

> ***The software always recommends pairing traditional Medicare with a medigap policy, to avoid a confusing melange of out-of-pocket expenses.***

Decision tree

Of course, most clients who are considering their enrollment options are either not working or have already made the decision to switch to Medicare. In that case, the program does what it did originally: help them choose between traditional Medicare plus medigap coverage or a Medicare Advantage policy offered through a company provider. I stopped the demo at this point and asked a dumb question: isn't it possible to enroll in traditional Medicare without buying medigap coverage?

Caudill's answer: yes, but it's not recommended, and most financial planners would not endorse this option, because of the financial clean-up work that this might require. "If a person just lives with Part A and B, there is significant exposure to healthcare costs," she explains. "The client is responsible for 20% of every bill, and may not be able to get into the long-term care facility that they'd like." (According to the Medicare website, in 2019, the deductible for Medicare Part A is $1,364 per benefit period, and $185 a year for Part B, plus 20% of the cost for Medicare-approved services for Part B expenses. Part A's coinsurance is $0 for days 1-60 of hospital care, $341 per day of each benefit period for days 61-90, and $682 per each "lifetime reserve day" after that, up to 60 reserve days for your lifetime. Got all that?)

"Because most people want to control those expenses, we always build out the path of original Medicare so that it includes a medigap policy and a Part D drug plan," says Caudill. "You go from having these crazy out-of-pocket costs to one monthly premium."

Choosing between traditional Medicare and Medicare Advantage can be complicated, and the tempting option is for clients to take the (often) much lower Medicare Advantage premium. (There are even zero-premium plans available in many states.)

The downside, which is illustrated in a series of questions, is that clients may not get to use their current healthcare provider, or get coverage if there's a health emergency when they travel, and they need to get prior authorization for basically every procedure they want or need, or else they will pay their medical costs out of their own pockets. "Surprisingly little is known about how much Medicare Advantage enrollees pay out-of-pocket for all of the services they receive overall," says Caudill, citing a New England Journal of Medicine article which suggests that the Medicare Advantage providers don't have a (ahem!) high incentive to track or publish this information.

The software notes that if clients enroll in an Advantage plan at age 65, they have a 12-month trial period, during which, at any time, they can switch from Advantage to original Medicare, and still get a medigap policy with no medical questions asked (a guaranteed issue right). But if you have a health setback, and switch 12 months and one day later, the insurance company can ask about that health setback, and the client may not be able to get a medigap policy.

The software also offers medigap information for each state, and advisors who use i65 with their clients can include the name and contact information of a health insurance agent they trust. There's a comparison worksheet to show what factors to compare, and client-specific initial enrollment period guidance, based on the client's birth date. The software and printout includes the link to enroll in Medicare online.

Planning considerations

Caudill says that some advisors are using the IRMAA calculation engine for other purposes when they give client advice. "Let's say they're considering a Roth conversion," she says. "What impact will that have on the client's Medicare premiums? It could add thousands of dollars to their annual medical insurance costs, which needs to be factored into the decision."

The software also helps advisors understand how to reduce the IRMAA premiums for "life-changing events." "If your clients retire, and their income goes down, you can get those higher premiums reduced or eliminated," says Caudill. "And once again, we're talking about thousands of dollars."

And, of course, there are clients who are looking at changing their coverage, which is another decision tree. Some clients may be in their 80s, still working and receiving healthcare coverage through a sizable employer, but are finally thinking about retiring. What are their Medicare options? Other clients may have suffered a health setback or are otherwise disenchanted with their Medicare Advantage coverage. They can switch to traditional Medicare, but how will that affect their coverage and finances? The i65 is instant expertise in a box.

Of course, there are situations that the software cannot answer. A client is 62 but already on Medicare due to a Social Security disability, and wants help on his or her options. Or a client has become uninsurable through medigap while on Medicare Advantage, but wants a review of other coverage options. What if the client is taking a very expensive medication which has been dropped from the current Part D drug plan insurer's formulary?

In those situations, you might turn to the 65 Incorporated consulting service, where the client could talk one-on-one with Omdahl and get advice which, in some cases, can save tens of thousands of dollars in out-of-pocket costs a year. (The firm has some horror stories on its website.) Those consultations can be included in the price of the software.

The software's IRMAA calculations can help advisors with a variety of planning decisions including the hidden cost of Roth conversions.

Did I mention price? Advisors can buy full access to the software for $109 a year, which entitles them to 10 additional credits that go toward the 65 Incorporated consulting services, should they be needed. For $649 a year, you get 68 credits, plus a scripted Powerpoint presentation on Medicare basics that you can offer in the community. There are premier and elite options as well.

What do the credits buy? 45 credits (and you can buy them for around $10 a credit) buys an individual Medicare enrollment consultation for a client. It costs 27 credits for a personal consultation with Omdahl on a unique client circumstance, and 11 credits for a Part D open enrollment review.

Caudill says that the big picture is that, in her experience working with advisors, there is a huge demand from clients and prospects for Medicare-related guidance that doesn't come from someone who sells insurance. And she says that there is enormous value in that advice. "We created an average client experience, in order to get a sense of how big is the Medicare enrollment mistake expense in this country," she says, pointing to late enrollment penalties, not enrolling and paying out of pocket for all medical expenses and then having a huge health setback, or (potentiallly the worst of all) having no idea that extremely expensive drug costs can be ameliorated. "When we extrapolated that number out to the entire population," says Caudill, "we came up with $6.4 billion of Medicare enrollment mistakes made annually."

And that, of course, doesn't address all the other issues that can be talked about relating to clients' elder needs, including whether they can afford to pay long-term care costs out-of-pocket, ways to avoid probate and the importance of having advance health directives and durable power of attorney documents.

"The Medicare conversation," says Caudill, "can be a huge, huge opportunity for clients and advisors in so many ways, for those who are willing to go there."■

The Right Decision

More often than not, I find myself agreeing with Michael Kitces's assessments about the planning profession, including his views on the future of compensation (he sees a migration from AUM), his taste in conferences (which sometimes seems to get political), his promotion of a fiduciary standard (unqualified), the hidden agenda behind the FPA's OneFPA Network initiative, and virtually all of the technical material he publishes.

But I've been having a lot of trouble finding agreement with Michael's commentary regarding TD Ameritrade Managing Director Skip Schweiss as the FPA's President-Elect and future chair.

You can read Michael's Nerd's Eye View column here: https://www.kitces.com/blog/fpa-skip-schweiss-td-ameritrade-corporate-sponsor-vendor-national-board-chair/ but the gist of it is that the FPA chose a non-CFP and (worse) a representative of a company that provides significant sponsorship money to the FPA, and (still worse) that TD Ameritrade has, in the past, opposed the imposition of a fiduciary standard for all advisory activity at the state level, in opposition to the FPA's pro-fiduciary stance.

The implication, never directly stated, is that TD Ameritrade bought and paid for the privilege of having one of its key staff members basically take a year off from his various duties (Schweiss's managerial portfolio includes both the company's growing independent trust and qualified plan services to advisors, and also advocacy and lobbying on positions important to the planning profession) so that he can be the volunteer leader of the Denver-based trade association.

And for what benefit, exactly? TD Ameritrade Institutional will undoubtedly reap some publicity from Schweiss's leadership position, but as the leading national sponsor of the organization and the prime exhibitor at the FPA's national convention, the company is already gathering a fair share of attention. I doubt there are very many FPA members who have never heard of TDAI's custodial activities.

There is no question that every form of sponsorship represents a conflict of interest for FPA decision-makers, and it's certainly possible (though even Kitces doesn't suggest this) that someone, somewhere at the FPA hopes that Schweiss's role will cement TD Ameritrade's continued financial support. But having known Schweiss and worked with him on fiduciary issues for more than two decades, I think it's more likely that the board members who vote on the next round of leadership looked around the room and noticed that Schweiss has built up a lot of professional credibility with his advocacy work, has deep managerial experience, and happens to know, on a first-name basis, the key people on staff in various Congressional committees, at the SEC and the CFP Board, and even FINRA and SIFMA.

In other words, it is very possible that, despite the obvious conflicts, he was the standout best person for the job.

As to not holding the CFP credential, I find myself wondering how many people WITH the CFP credential have worked as hard and effectively on behalf of the profession and the fiduciary standard. The Financial Planning Association has made it clear the it represents all communities under the big tent of financial planning, including support professionals. If that's the mission, then perhaps it's about time somebody in a support role got a chance to lead the organization.

Bigger picture, most of the people I talk to privately agree that the FPA could be doing a lot more for the profession, if only it could get its act together and build a significant membership. Many of those people are working hard at the chapter level, and they see how the chapters are keeping the organization viable while the home office seems to be rudderless. There is a huge need for focused leadership and accountability toward a staff that always seems to be blaming external factors for its own lack of progress and success.

I think the past board chairs—all CFP advisors in good standing—have been excellent people. But I also think they've been much too quick to accept excuses, and allow the staff to focus the board's attention on anything and everything "out there"—away from the effectiveness of the home office team. One of the things I know about Skip Schweiss is that he knows the importance of staff functionality, and of accountability when you're trying to get things done.

Of course, this doesn't mean that the new President-Elect is going to fix 20 years of decline at the FPA.

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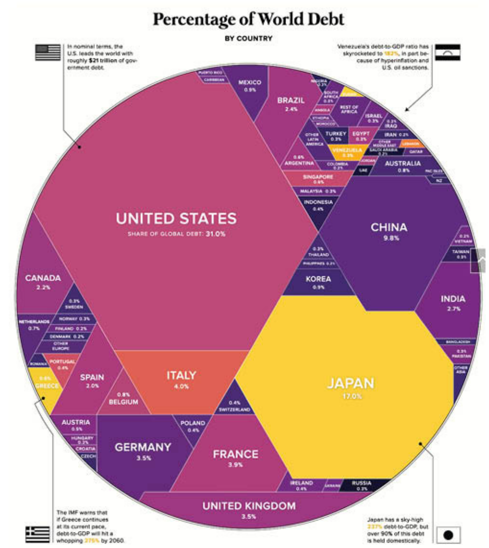

I think it means that if you look past the conflicts of interest at the FPA, it's possible that, this time around, the FPA took the right course of action. Its leaders found somebody who is accustomed to success, who is accustomed to leading, who knows how to run a successful operation, and who deeply loves our emerging profession.

Contrary to what Michael is saying, I have a strong belief that the FPA made the right decision, and I just wanted to get that on the record. ■