A!

Action!
Magazine

RICH CANCRO:

Why you must win next-gen clients today

RYAN NEAL:

How advisors can tell better stories

TIPS ON:

Personalization
Building a brand
AI & Compliance

IN PURSUIT OF

LIMITLESS GROWTH

ROBB BALDWIN:

Reignite your entrepreneurial spirit.

Here's how.

Special Edition

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TradePMR | SYNERGY24

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Editor's Note

SULEMAN DIN & CRAIG RAMSEY

In pursuit of limitless growth

When we speak with Founder/CEOs, it's common to hear about their businesses reaching a growth plateau.

If you're in this situation, what can you do about it? It starts with laying out your vision - and then removing obstacles to unleash your team, allowing your company to reach its full potential.

For this edition of *Action!* magazine, we've partnered with the team at TradePMR to consider the concept of 'limitless growth.' What might it mean for your firm? And what changes do you need to make in order to pursue it?

Up first: entrepreneurial lessons from TradePMR Founder and CEO Robb Baldwin – who contends that rainmakers are made, not born. Followed by AdvisorEngine Founder and CEO Rich Cancro, who posits that serving the next generation of clients must be a strategic imperative now for your advisory firm, driven by a focus on goals-based planning.

We also share articles that provide handy tips on ways that you can continue growing your firm, targeting key activities: personalizing your offering, building out your brand, and using new AI tools in a prudent way. It was also fun to turn the tables on Suleman's former journalism colleague – Ryan Neal, who is now at TradePMR. We discussed the future of advisor narratives and what firms have to do to stand out and be unique.

Enjoy your time in Las Vegas at SYNERGY24. Our one request: please make sure that what happens here …does not stay here. Take your 'winnings' from this magazine content and put them to work in your business!

Suleman Din	Craig Ramsey
Editor-in-Chief	Founder

ROBB BALDWIN

Reignite your entrepreneurial spirit

Rainmakers aren't born; they are made.

Since I first became an independent financial advisor, I've believed that it's not just the best business model in wealth management but a movement driven by the entrepreneurial spirit. Registered investment advisors are businesses built by advisors brave enough to tie their success to their ability to generate wealth for clients.

However, I'm worried that many in our industry may be getting stagnant. According to Chip Roame's keynote speech at Tiburon, 93% of RIAs didn't grow at all last year outside of market returns. In 2022, the fastest-growing model was the wirehouses. In 2023, the fastest-growing model was the discount brokerages. RIAs came in third place both years.[1]

We need to reignite that entrepreneurial spirit, support the top earners who built the RIA industry to where it is today and create an environment that trains a new generation of rainmakers.

Over 15 years ago, I started researching and studying the phenomenon of advisors going independent and seeing their growth stagnate. They had increased their compensation dramatically by going independent and started to act as more as business operators than rainmakers looking to keep growing.

What is it that makes a rainmaker? What separates the best in business from the rest and what does it take to empower them?

There is a widely held belief that greatness in business, like greatness in any endeavor, is something natural. We know that successful people work hard, but the best of the best are born a bit different.

But research shows that isn't true. In his latest book, "Hidden Potential," social psychologist Adam Grant examines the science of greatness, the roots of exceptional talents across various fields. In one study of 120 award-winning artists, athletes, and scientists, only a few of them were ever considered child prodigies. Most of them never even stood out as particularly remarkable in their younger days. For example, among the world's best tennis players, most lost in the early rounds of competitions when they were young and took years to emerge as top players.[2]

While the top performers weren't known for their early aptitude, most of them had two things in common. First, they displayed unusual motivation to improve. Second, they had someone – whether it was a coach, a teacher or a mentor – who made learning fun.

Reading Grant's book analyzing the science of greatness made me think about my father, who played football under Bear Bryant, the hall-of-fame coach who led the University of Alabama for 25 years, won six national championships and 13 conference championships, and set a record for the most wins of any head coach in collegiate football history.

Each season began at an old army base, where young men would show up at some barracks in the middle of nowhere, miles from any town. It didn't matter if they were four-star high school athletes or walk-ons – everyone showed up to those barracks and did all-day workouts in the Alabama summer heat if they wanted to make the team.

My father would wake up in the morning and notice that some of the bunks around him were empty. Guys would get up in the middle of the night, pack their bags and make the long walk back to town just to get out of there. Those who survived made the team.

Byrant understood there was no silver bullet or easy answer for building a consistently dominant team. It wasn't about recruiting the most naturally gifted athletes; it was about finding those with the motivation to work hard and matching those people with a coach who could mold that effort into success.

Because rainmakers are not born; they are made.

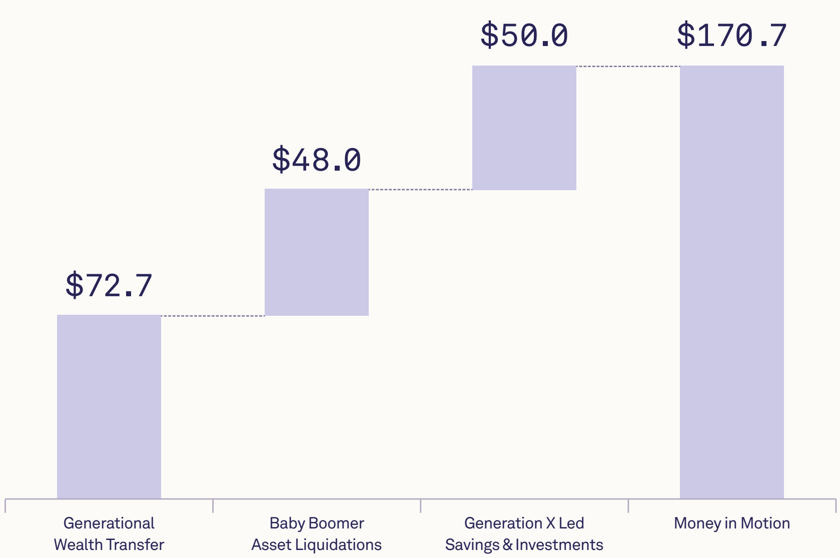
I believe this is how we create an ecosystem that supports our existing rainmakers and trains a new generation to overcome the RIA's growth problem. I believe there will always be an opportunity to succeed in this space, but we have to get back to the basics of building a business: shaking hands, making phone calls, attending industry events like this, marketing and getting into professional circles to build a network. It will also take coaching for rookies and veterans because the best can never stop honing their skills.

TradePMR is invested in helping RIAs create that ecosystem. Our company's guiding star is helping RIAs build a culture that empowers them to perform at their best, to build a culture that supports and nurtures their rainmakers.

The average client is getting wealthier, and they're

There is major money in motion —
What are you doing to take advantage of this opportunity?

Consumer Households 2022-2045 Money in Motion by source ($ Trillions)



Source: Chip Roame's keynote presentation at the Tiburon conference demanding more and more services from advisors. In return, advisors expect more from their custodians.

I don't believe retail discount brokers are the best solution to support high-net-worth clients in the long term. I'm positioning TradePMR to fill that gap and be that high-end custodial services provider.

Now is a pivotal time in our industry. The opportunity has never been greater to make the RIA industry into what we all believe it can be, but success is not easy and never has been. It is going to take effort from all of us. We want to ensure that independent advisors thrive, compete and grow in the marketplace.

As I love to say – if you're not growing, you're dying.

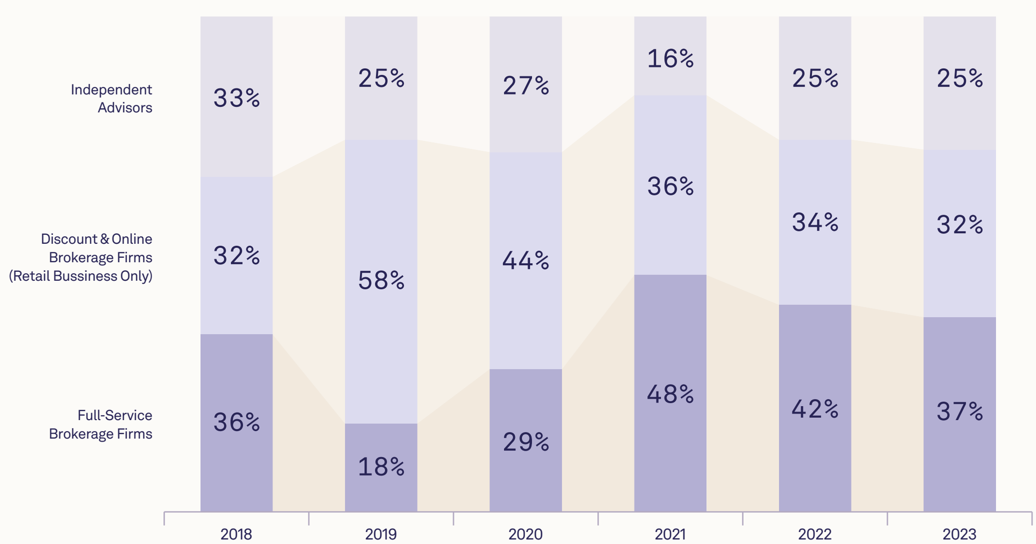
Disclosure: Robb Baldwin is the CEO and Founder of TradePMR, member FINRA/SIPC. Past performance is not indicative of future results. Opinions herein are as of the presentation date; they are not statements of facts and may include "forward-looking statements" which may or may not be accurate over the long term. Statements, opinions or forecasts are not guaranteed. The audience should not place undue reliance on forward-looking statements. The material has been prepared for or is distributed solely for information purposes and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. This presentation is meant for an institutional audience.

> "I believe there will always be an opportunity to succeed in this space, but we have to get back to the basics of building a business: shaking hands, making phone calls, attending industry events like this, marketing and getting into professional circles to build a network."

- Robb Baldwin
TradePMR CEO

The growth opportunity is right in front of us

Net New Assets Under Management & Administration by Channel



Source: Chip Roame's keynote presentation at the Tiburon conference

References [1] Chip Roame's Keynote presentation at the Tiburon conference
[2] "Hidden Potential," Adam Grant, Viking; First Edition October 24, 2023

Embrace next-gen clients or risk irrelevance

RICH CANCRO

The next generation of clients is your biggest business opportunity right now.

According to a report by Cerulli Associates, Baby Boomers in the United States alone are expected to transfer $68 trillion in assets to their heirs over the next 25 years. This shift presents both a challenge and an opportunity for financial advisors.

Catering to the next generation – millennials and Gen Z – isn't just a choice; it's a strategic imperative for long-term viability. Adapting to the needs of these younger clients is no longer optional.

THE WEALTH TRANSFER IS HAPPENING NOW

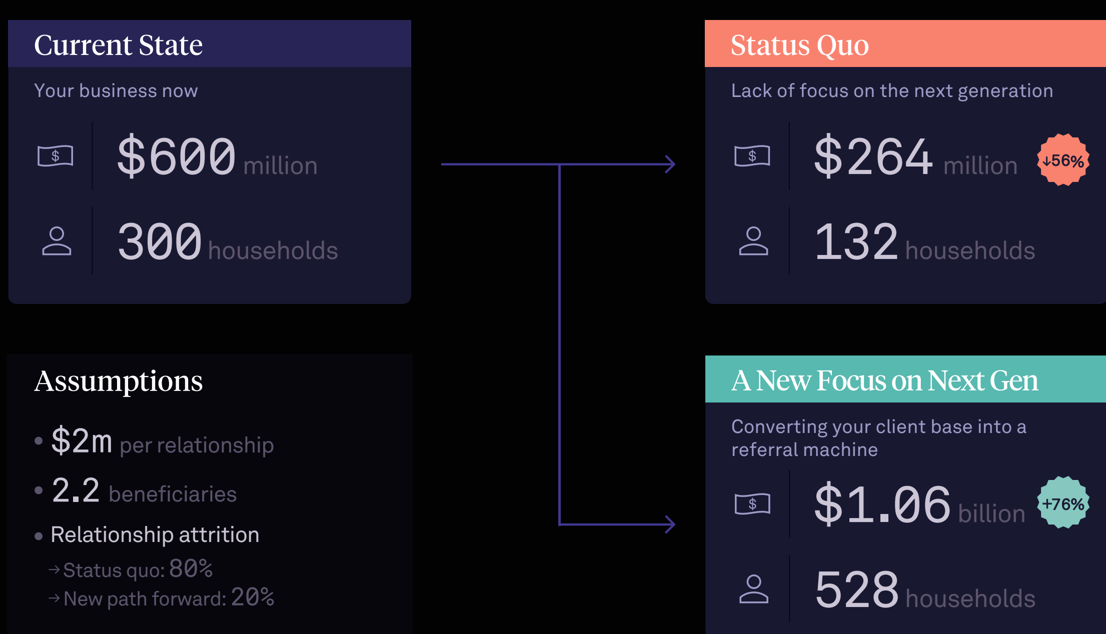
The truth is the generational wealth transfer has already begun. Advisors who fail to connect with these younger clients will miss out. Meeting their needs and expectations, then, is crucial.

At AdvisorEngine®, we studied the challenge. There's a distinct opportunity to grow, but only if your firm focuses on taking critical steps to secure the next generation of clients.

Visualize, for a moment, an RIA firm today with $600 million in assets between 300 client relationships.

If they remain status quo and do not make any effort toward securing the next generation of clients, we estimate they will experience a 56% reduction in client assets due to client attrition. Now, if the same firm were to convert that current client base into a referral machine for winning next-generation clients, its future situation would change radically.

You have a choice | What will your future business look like?



Despite this major opportunity, many advisors hesitate to adapt their approaches, clinging to outdated strategies that will alienate these emerging client bases who prioritize digital convenience, personalized services and value alignment.

This reluctance reflects a broader resistance to change within the industry. For years, traditional client engagement and wealth management methods have served advisors well, fostering stable and prosperous client relationships.

The reality is that when things are going well, that's the hardest time to change. But this is the moment to rethink your firm's entire approach to serving clients in the near future – in your people, your processes and your technology.

> "This is the moment to rethink your firm's entire approach to serving clients – in your people, your processes and your technology."
>
> - **Rich Cancro**
> AdvisorEngine CEO & Founder

Goals-based planning

There are a number of steps your firm can take to better serve the next generation.

At the top of my list? I recommend embracing goals-based financial planning. It will help you win more new business. And more importantly: it will elevate the service you are delivering to all of your clients.

Historically, some advisors have elected not to build financial plans – particularly for younger clients – because it required a lot of work. Uncovering information ...gathering income and expenses ...weighing differences between partners in a marriage ...considering retirement tradeoffs ...mapping goals ...calculating the probability of the plan succeeding ...maintaining an ongoing dialogue with clients ...updating the plan as life changes. Without a process and supporting implementation system, it can become unmanageable.

For this reason, AdvisorEngine recently rolled out a tool that can help, with a special focus on equipping you to deliver personalized planning at scale. We've removed the unnecessary friction that historically has caused advisors not to engage with all of their clients as deeply as desired. Freeing up advisors and clients to focus on what matters most – goals along the life journey, versus data entry.

Our goals-based planning tool shines because it is natively embedded in our broader wealth tech platform. It sets the stage for a highly productive advisor-client relationship – with client goals at the center of the conversation instead of dialogue around specific investment products. It's about helping your clients feel your value on a daily basis, and becoming more confident in understanding their financial futures.

Whether it's with AdvisorEngine or another provider, I encourage you to spend time talking with your technology partners about the options available to you that can elevate the experience you deliver to next generation clients.When you perform goals-based planning, you're unpacking what is truly important to that person.

What is the lifestyle they desire when they retire? What will be their core future spending needs? It could be for their children's education. It could be around philanthropy and a cause that's very important to them. It could be buying that second home, or having a special vacation that they want to plan for.

By having a goals-based conversation versus a purely performance discussion, you are driving a long-term connection with the client from the day that you meet them. You're learning about their needs, wants, desires and dreams. Over time, you can continue to communicate how they're doing on their journey. Ultimately, that's what clients care about most. The question on people's hearts and minds is, 'Am I okay?' What that really means is: 'Are the things that I care about secure? Am I on target to reach the goals I've set for myself and my family?'

Serving the next generation is critical for growth. Embracing goals-based planning can be a powerful catalyst for your firm in this area.

Six surprising studies revealing the power of personalization

From coaching to investment models, here's a closer look at why customization can be so important for financial advisors.

Rob Dilbone,
TradePMR
Managing Director

What do a homemade birthday card, a vanity license plate and a financial plan have in common? Whether celebrating someone special, adding a pithy combination of letters and numbers to a vehicle, or offering bespoke advice, they all showcase the power and promise of personalization.

We believe it's powerful for financial advisors to focus on offering customized services to clients. It can foster loyalty, set them apart from the competition and provide an emotional connection in a sea of generic interactions.

A growing body of scientific and business-oriented evidence suggests the same. We reviewed a collection of reports from business consultants, studies on video game avatars, and even innovations in online grocery shopping to showcase just how powerful personalization can be. These are some of the surprising facts and figures behind customization's appeal.

The business of personalization

We want uniqueness in our lives. We showcase it in the clothes we wear, the friends we make, and the way we invest our time and resources.

A recent Twilio survey on personalized shopping experiences found that more than half (56%) of customers say their feelings of loyalty increased after participating in a tailored purchasing journey.[1] In a similar vein, McKinsey & Company found that customized marketing reduces customer acquisition costs by as much as 50%, lifts revenues by as much as 15%, and increases marketing ROI by as much as 30%, compared to non-individualized efforts.[2]

What does that mean for advisors? With RIAs spending an average of $27,800 on marketing in 2022, personalization efforts in marketing alone could result in five-figure savings and significant growth for an advisor's book of business.[3]

[1] "The State of Personalization 2023," Twilio, 2023
[2] "What is personalization?" McKinsey & Company, May 30, 2023
[3] "The Financial Advisor Marketing Playbook," Broadridge, 2023

Using AI to personalize at scale

Online grocery shopping offers an interesting illustration of how new technologies can be used to increase positive feelings about a service or sale, all while learning more about a customer and boosting sales.

The online grocery store Misfits Market has been using artificial intelligence and machine learning to boost basket size while refining its customer insights.[4]

When shoppers log onto the service, they find their carts pre-filled with products they tend to buy on a weekly basis, with the ability for every shopper to approve or reject items. Behind the scenes, the company uses its client data to help shoppers avoid the tediousness of building carts from scratch, getting them through the check-out process more quickly.

According to the company, most shoppers' carts are filled with 75-80% of the same things every week. That's where Misfits Market's algorithmic "discovery" component comes in: it uses the 20-25% variability in every cart to suggest items that were previously purchased by the shopper, make product pairings, and even expand the range of what a shopper puts in his or her cart.

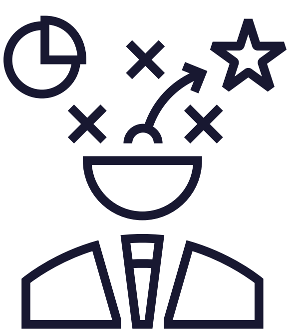
Grocery shoppers have responded positively to the pre-filled carts and discovery features, according to the company.

How does this impact advisors? The sheer number of investment models, vehicles for investing, tax considerations, and asset allocations quickly add up to a product menu that could dwarf anything available in a grocery store. According to recent estimates from Morningstar, investors will soon be facing a potential personalization overload scenario, where advisors and investment teams may need to pick the right investments from an inventory of more than one million managed products.[5]

By harnessing artificial intelligence and machine learning, advisors may set investors up with a tailored investment solution, at scale, giving clients another reason to recommend their advisor to friends and family.

Customized marketing reduces customer acquisition costs by as much as 50%, lifts revenues by as much as 15%, and **increases marketing ROI by as much as 30%**, compared to non-individualized efforts.

"What is personalization?" McKinsey & Company, May 30, 2023



Channeling psychology to build a compelling business model

Social science helps explain why we get so much satisfaction from customized solutions: humans are wired to enjoy the feelings of autonomy and control.

[4] "Misfits Market introduces autocart tool, loyalty program," Catherine Douglas Moran, Grocery Dive, July 1, 2022
[5] "Morningstar CEO: 'Active Personalization Is the New Active Investing,'" Diana Britton, WealthManagement.com, May 17, 2022

When clients receive individualized solutions, it extends the positive feelings of autonomy and control from advisor to client, even amid market movements and economic shifts.

Customized marketing reduces customer acquisition costs by as much as 50%, lifts revenues by as much as 15%, and increases marketing ROI by as much as 30%, compared to non-individualized efforts.

In a study examining video gamers and in-game customization, researchers found that autonomy, control, and attachment created enjoyment, even in a fictional world. Gamers who were attached to their customized avatars, for example, had higher perceptions of immersion and enjoyment in the game they played than those without customization options.[6]

Gamers offer just one example of a phenomenon advisors know by heart. When their vendors customize and white-label solutions, the vendor-advisor relationship is often stronger and more resilient.

The same rings true for advisors and their clients. When clients receive individualized solutions, it could extend the positive feelings of autonomy and control from advisor to client, even amid market movements and economic shifts.

Expanding one's knowledge through personalized coaching and specialized education is another method for extending control and autonomy. It's one of the reasons why mentorship, entrepreneurial peer circles and other forms of coaching are so successful in the world of business.

[6] "Is it a sense of autonomy, control, or attachment? Exploring the effects of in-game customization on game enjoyment," Keunyeong Kim et al, Computers in Human Behavior, Volume 48; July 2015

Starting an RIA? Time to let the world know

Jessica Shores,-
TradePMR Marketing
Director

4 Steps to begin building your brand

1. LAUNCH YOUR WEBSITE
2. ANNOUNCE THE NEWS
3. ESTABLISH SOCIAL MEDIA ACCOUNTS
4. ESTABLISH A GOOGLE BRAND ACCOUNT AND CLAIM YOUR BUSINESS ON GOOGLE

So, you're starting your own RIA. You've filed all the right forms, you've informed your previous employer and now it's time to officially launch your firm.

Even with years or decades of experience serving clients, starting your own registered investment advisory firm can be daunting. It's a new kind of challenge – beyond the hurdles of finding a custodian, building an RIA tech stack, and addressing industry regulations, you are now responsible for establishing your own brand.

This is no small feat, but it's something that every growth-minded RIA must do when starting out.

4 STEPS TO GET STARTED BUILDING YOUR BRAND

1. Launch your website

As you get started with your new RIA, it's essential that you have a new website ready for launch. This website should, at the very least, include some information on your company, the types of clients you serve, and how people can get in touch to learn more.

First impressions matter. A recent Stanford study found that 75% of consumers admit to making judgments on a company's credibility based on the company's web design.[1]

[1] Stanford Guidelines for Web Credibility. Retrieved April 13, 2021

> First impressions matter. A recent Stanford study found that **75% of consumers** admit to making judgments on a company's credibility based on the company's web design.
>
> Stanford Guidelines for Web Credibility. Retrieved April 13, 2021

The website can start with these basic points but can build and expand over time. Some areas you should consider exploring for your website as you build your business include thought leadership content (i.e., blogs, podcasts, market updates) and company updates (i.e., announcements on new hires, new office locations, expanded service offerings).

There are countless vendors, both in and outside of the industry, who can help your team build your website. While it may be tempting to task junior tech-savvy team members with building your firm's online presence, an investment in third-party experts can help ensure that your website will serve you well for years to come.

2. Announce the news

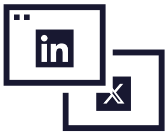
Standing out from the crowd is never easy. Depending on your location, if you were to Google the phrase "financial advisors near me," you may need to filter through pages of results before finding anything related to your business. So, how do you cut through the noise? It all starts with search engine optimization (SEO).

As your firm becomes more active online (publishing content relevant to your business), your SEO rankings will grow. This means that when people search for terms in Google related to the content your firm is publishing, your firm will appear higher in the Google rankings. But growing those rankings takes time and consistent effort. That's why we recommend that newly launched RIAs take an SEO shortcut: publishing a press release.

This release is an opportunity to tell your story – your history, your differentiators and why you chose to launch an RIA. You can share this release on your website, and for a fee, you can publish it through a third-party provider like PRNewswire, GlobeNewswire or Business Wire. When you publish using one of these wire services, your news gets syndicated across dozens of online news outlets, providing an immediate SEO boost. That means when people search for your name or financial advisors in your area, they will likely see that press release pop up.

These press releases are a great way to spread your new name and brand story and will live online forever – so even a few years down the line, prospects looking into your business will find the news and get a good insight into why you could be a fit for them.

3. Establish social media accounts



While social media may be uncharted territory for your team, it has become an increasingly viable method for client acquisition and increasing brand recognition. These accounts can provide followers with a window into your firm's culture, values and differentiators that visitors may not see when simply looking at your team's website. These pages can be quickly updated to share information on new offerings, opportunities, and events – helping you to curate an online community of clients and prospects.

The question you need to answer: which platforms make the most sense for your clients?

If your clients are business-savvy, they may be more likely to spend their time on LinkedIn. If you serve primarily next-generation clients, you may want to consider leveraging a platform like Instagram. There is no right answer; it's all about finding where your ideal clients spend their time and meeting them where they are.

4. Establish a Google brand account and claim your business

A website, press release and social media are great ways to begin building your brand, but without a Google brand account, your clients and prospects could struggle to find your information.

Setting up a Google Brand account is easy and allows you to update your firm's info visible in Google searches. This account, separate from a personal Google account, helps to build SEO and ensure important information and updates on your business are easily accessible in Google. To make a Google Brand Account, you simply need to establish a new profile on Google My Business or YouTube – the process is explained through Google's online support pages here.[2]

In addition to building your Google Brand Account, it's important that you claim your new RIA business through Google My Business. Claiming your business adds information on your company to Google search, Google Maps, and other Google sites. The whole process[3] takes just a few steps:

- Sign in to the Google My Business app using the personal Google account that you'd like associated with the business
- Click to add your first business
- Enter your business name and information
- Agree to the Terms of Service.

Hit the ground running

Breaking away isn't easy. There are seemingly countless factors to consider, from informing clients to finding office space and everything in between. With all the commotion, it's important that you don't let building your brand fall off your radar.

One important note: a couple of years ago, the SEC released new guidance on how RIAs can advertise their offerings. There are now more opportunities and avenues that advisors can use to let the world know that you're starting your own RIA. We recommend every RIA takes the time to read and understand this rule to ensure all of your marketing activities are compliant with the new regulations.[4]

Starting an RIA is a major move for the future of your team, your clients, and your business. By following these four steps and ensuring you do so compliantly, you can help ensure that your story reaches the right people and sets your RIA on the path to success.

[2] Manage your brand account. Retrieved April 06, 2021
[3] Add or claim your business on Google My Business. Retrieved April 06, 2021
[4] Investment Adviser Marketing U.S. Securities and Exchange Commission. Published April 28, 2021

AI & Compliance: Where to begin

BETH HADDOCK

Artificial intelligence adoption is quickly gaining momentum. We're now witnessing a transformative change – with application in the technology, science and finance sectors.

Unlike previous finance innovations, whether digital advice, robo advisors or any of the different investment products popular today, AI is unique. Legislators on Capitol Hill and the private sector are attempting to design guardrails early. Government agencies and regulators are trying to be proactive by incentivizing responsible use of AI. We have also seen interesting leadership from tech titans advocating for AI guardrails and voluntary use standards before regulatory standards are clear.

There are many challenges in using AI – fabricated 'hallucinations,' or bad data or bias, for instance. Advisors should understand and address challenges because they will face these when choosing to use AI either internally to enhance the productivity of their practice or externally to augment a client relationship. Advisors should also prepare for AI to be a people management issue in either use case. In short, if a firm doesn't address the issue proactively, it accepts the risk that employees may use AI tools in client interactions without their knowledge.

Ultimately, setting an AI use standard is good business practice. This way, advisors know whether the team and vendors are using AI tools, and if they are, advisors can understand and agree its use is appropriate for the firm and its clients. A well-informed firm can avoid issues where clients might somehow be harmed because the use of AI wasn't vetted, understood or appropriately disclosed and managed.

Even at this early stage, the comments by Securities and Exchange Commission Chair Gary Gensler should interest any firm, including its compliance professional. Chair Gensler's public comments frame the risk that must be covered before AI use is adopted at a firm: Advisors should thoroughly conduct due diligence and be confident AI use doesn't compromise their duty of care and loyalty to clients.

HERE ARE THE SEVEN CONCERNS THE SEC AND OTHER REGULATORS HAVE FOCUSED ON AND IT IS RECOMMENDED ADVISORS DO THE SAME BEFORE CONSIDERING ANY USE.

1. Bias

This concern is focused on AI use where advisors across the industry adopt the technology without understanding inherent bias in a tool and its use ends up being unfair toward certain clients. This could lead to a statistically significant bias that will inadvertently begin to creep up in large patterns in the industry, either because the coding or the data somehow is skewed towards the majority, and it doesn't necessarily take into account all of the different data elements in a fair and balanced way.

2. Too simplistic

This concern relates to the early adoption of new AI tools before they are mature enough to be used in our industry. Arguably, this is the first generation of widespread adoption of AI tools for wealth management. Suppose an advisor uses AI forecasting technology based on simple assumptions. In that case, the advisor is at risk of relying on predictions that aren't reasonable because they are not supported with all the sophisticated components needed to provide financial projections to clients while meeting the high standard of fiduciary duty of care. The concern is that many new so-called AI tools haven't incorporated the complexity an advisory business needs.

3. Conflicts

Intentional, hidden or undisclosed conflicts of interest are another concern. The need to avoid and mitigate conflicts of interest should be a familiar concern, particularly if one reviews guidance and rule proposals from the SEC this year. Before adopting any new AI tool, a firm should ask whether adoption 'Is in the firm's best interest, or is it in the client's best interest?' Advisors must show they're balancing that fulcrum with a focus on serving clients and meeting the fiduciary duty of loyalty to clients.

4. Narrowcasting

Narrowcasting is also a concern for using AI in an advisor's practice. This is a newer term related to conflicts. Chair Gensler described it in a recent speech, "communications, product offerings, and pricing can be narrowly targeted efficiently to each of us; producers are more able to find each individual's maximum willingness to pay a price or purchase a product. With such narrowcasting, there is a greater chance to shift consumer welfare to producers. If the optimization function in the AI system is considering the interest of the platform as well as the interest of the customer, this can lead to conflicts of interest."

If a large group is heading toward one path, one product or a certain pricing, trends will emerge that don't necessarily meet the best interest of each client. For example, what if a response to an AI-enabled optimization tool is that an advisor should consistently recommend private funds to clients without consideration of alternatives such as ETFs, mutual funds or fixed income? There will be a narrow focus on recommending private funds across the industry or firm(s) using the same AI, which can be an inappropriate product for certain clients, such as those with shorter time horizons, lower risk tolerance or eligibility for investing in private funds.

5. Deception

This is the concern that AI will be used to deceive vulnerable investors, make it easier to deceive more of the investing public and facilitate more rapid spread of false rumors that harm the integrity of our capital markets.

6. Privacy & IP Ownership Issues

The sixth concern is about the unfair use of clients' and firms' data and intellectual property. How do advisors make sure that client and firm data is protected? Remember to read the AI user agreement before implementing any new technology. That agreement will disclose how data will be protected or not. As a general rule, Advisors should not use confidential, proprietary or personal data in any AI prompts. Advisors should assume any data disclosed in a prompt will be in the public domain.

7. Financial Stability Risk

The SEC is also worried about herding decision-making that will increase the fragility of the financial system, particularly in times of stress or disruption. If investment decisions are made by many using a popular AI tool, getting the same signal from a base model or data aggregator, it could exacerbate the inherent network interconnectedness of the global financial system. Regulators appear worried that without careful planning and guardrails, AI use could lead to the next financial crisis. They fear advisors will use AI tools and base their decision-making on the output instead of their individual due diligence.

If your firm is considering using AI tools, due diligence should be a priority – you should have written due diligence. It could be a simple statement in your compliance protocol, in an all-employee meeting or in an email stating you need to have pre-approval before you select a vendor or use a tool because advisors don't want something to go to clients and then find out after the fact that AI was used and somehow there's a mistake that must be addressed.

If your firm decides to use these tools, then ensure there are supervisory procedures. Update your operating procedures, compliance manual and disclosure documents for that process. It may be prudent to pilot or limit an AI tool's use, perhaps in a testing environment or internally, only to boost productivity. If you use a third party's AI tools, ensure thorough due diligence is completed and documented so it is ready for review by examiners.

There are many unanswered questions about AI use. Advisors should consider discussing the topic now, even while questions remain. At least discuss it at a management meeting to help the firm decide what makes the most sense for employee use of AI and due diligence requirements. If a firm already has a vendor risk management protocol, the use of AI might not be as heavy of a lift. Advisors can require AI technology to go through that process before first use.

We all work in a heavily regulated industry. And now, we need to address an entirely new innovation. As with adopting any business practice, it needs to be aligned with your fiduciary duty and well-documented with policies, procedures and training. If you ask questions about the above seven concerns and discuss business preferences at a management meeting, you're starting with a good foundational framework.

Do's

Fiduciary: As a fiduciary, ask if the AI you're using is aligned with duty of care and loyalty. Design and test tools so fiduciary obligations are nudges, too. During vendor due diligence or product design, ask questions about incentives.

Conflicts avoidance: Product design and use should be tested to minimize or eliminate conflicts as required.

Transparency: Explain assumptions, attributes and gaps in any AI tool.

Methodology disclosure: Describe how you define AI and how you use tools in the same manner you would for algorithms or planning tools for projections.

Bake controls into your compliance and governance program: The SEC's proposed rules would require investment firms to identify any potential conflicts of interest emerging from their use of AI and then eliminate them. (The SEC's terminology is predictive data analytics and similar technologies.) The regulator would require firms to have written policies, procedures and record-keeping to prevent violations.

Avoid herding/systemic risk: When considering vendors, avoid sole reliance on AI tools and consider the new systemic risk. It is believed AI can promote "herding" among investors who gather information from the same data and pile into trades that destabilize the market. You don't just rely on a ratings agency to make investment decisions – you shouldn't solely rely on AI to support an investment decision.

Prioritize consumer protection: For consumer use – adhere to complaint reporting, privacy, advertising and other consumer protection laws so the product fits the targeted audience. Make sure disclaimers clearly explain the downside of the accuracy or reliability of outputs.

Don'ts

Activity incentives: There are concerns about the tactics investment platforms deploy to make the trading experience feel more gamelike (just like unsuitable day trading).

Inappropriate investment promotions: Sales tactics based on volumes without attention to conflicts of interest or unsuitable recommendations based on risk tolerance are not permitted, whether performance-based for sales contests or AI nudges.

Market or price manipulation: Recall the meme-stock frenzy of GameStop and price manipulation that came under SEC enforcement. Pumping and dumping, insider trading, frontrunning and market manipulation with or without AI are illegal.

Skimp on due diligence: Don't create risk with weak due diligence or an overreliance on AI tools without audits and contingency planning for errors.

Violate FTC expectations for consumer protection: ChatGPT/Open AI is being investigated. A good reminder not to put protected or other personal data into tools without understanding data security and protection. Be prepared to address any complaints about inaccurate, disparaging or harmful data/use of data or use of AI. Review and update your privacy notice and policies as needed.

\+ RESOURCES:

→ Gensler speech:
[https://www.sec.gov/news/speech/gensler-isaac-newton-ai-remarks-07-17-2023]

→ SEC Rule Proposal:
[https://www.sec.gov/news/press-release/2023-140]

→ FTC competitive concerns:
[https://www.ftc.gov/policy/advocacy-research/tech-at-ftc/2023/06/generative-ai-raises-competition-concerns]

→ FTC investigation of Chat GPT:
[https://www.washingtonpost.com/docments/67a7081c-c770-4f05-a39e-9d02117e50e8.pdf?itid=lk_inline_manual_4]

→ FTC enforcement case:
[https://www.ftc.gov/news-events/news/press-releases/2023/08/ftc-action-stops-business-opportunity-scheme-promised-its-ai-boosted-tools-would-power-high-earnings]

→ Massachusetts investigation:
[https://cointelegraph.com/news/massachusetts-launches-probe-into-ai-in-securities-industry}

→ Biden Voluntary commitments:
[https://www.whitehouse.gov/briefing-room/statements-releases/2023/07/21/fact-sheet-biden-harris-administration-secures-voluntary-commitments-from-leading-artificial-intelligence-companies-to-manage-the-risks-posed-by-ai/}

→ Microsoft Copilot Copyright Commitment:
[https://blogs.microsoft.com/on-the-issues/2023/09/07/copilot-copyright-commitment-ai-legal-concerns/}

Ryan Neal: Evolving platforms for advisor narratives

Journalists Suleman Din and Ryan Neal worked at trade publications for years, covering the wealth management industry. But they have both branched out to pursue passion projects within the RIA market, with Din joining AdvisorEngine to launch *Action!* magazine and Neal following a similar path to join TradePMR. Din and Neal met to discuss emerging communication trends, share perspective on how advisors can best tell their stories to connect with new prospects, and the next project Neal has in the works.

SULEMAN DIN: Ryan, we covered the wealth management industry for years. One trend I've noticed is that advisors increasingly depend on how they communicate their value to prospects and clients.

RYAN NEAL: I think about the podcast recently launched by JJ Redick and LeBron James, which discusses the sport of basketball from the perspective of those who have played it, rather than sports reporters who may have never touched the court. I believe it was *The New Yorker* that described how this could be a future model for sports journalism. Beyond sports, we're seeing it across industries – people in tech are going around traditional media companies and speaking directly to their audiences. We're seeing it in the venture capital community. There's space for that in wealth management. *Action!* magazine is proving to be a part of this trend. The publication shows there is an appetite for that nuts-and-bolts type of practice management coverage, where they can learn about actual things they can do with their firm. There's an appetite for people to hear more from the industry itself, from leaders, advisors on the ground, and people who work every day in this industry. There's an opportunity to tell those stories and people want to hear them.

SULEMAN DIN: How will that contribute to the growth of a wealth management practice?

RYAN NEAL: There's a good marketing case here. I believe the name of the game now is personalization and differentiation. Just as advisors are trying to personalize their service for clients, they need to personalize themselves. They need to stand out from the rest of the RIAs and telling their stories is how they can do that. At TradePMR, we believe that part of the equation for growth is the human-to-human relationship. Personalization is such a huge part of growth going forward. We're ten years past the dawn of robo-advisors, we're ten years past investment management more or less being automated. Yes, there are advisors out there who still have a 'secret sauce' for investments, but I believe it's now widely accepted that the key to growth is building that relationship, building that human connection and being someone a client can rely on. If you're just another suit that says, 'Hey, I'm here to help you with your money and outperform in the stock market,' I just don't see how you can build the relationships you need to grow in the future. But telling your story, letting us know, 'Here's who I am as a person, here's what I believe in, and here's my values in what I do,' that's how you make yourself human and attract people who want to work with you.

SULEMAN DIN: How can advisors better explain what they do and who they are?

RYAN NEAL: Humanizing to me doesn't mean that you tell prospects, 'I'm a star performer, I'm a portfolio manager beating the market by 10 times,' or something like that. It's more like, are you a nice human being? How can I trust you, as a professional, to be able to work with me on things that are really important to me? I suppose that's the $10 million marketing question. And if I had the silver bullet answer for that, I'd be the world's greatest advertiser. But there are some things we can see that work and things that don't work. In the wealth management space, it goes beyond posting everyday pictures of your kids and your exercises on LinkedIn – although that certainly helps to humanize you as an advisor. It's more about adding value and adding authenticity. Maybe that's my bias as a journalist and loving people who have those stories, but when you can add value, that is huge. You can show you are there to help, that you have answers to questions, and that you are an authority. You're willing to help people, and you're not just there for profit. You have the knowledge that's needed to be different. And then just being your authentic self. Especially in our modern era, people care about someone who's not putting on airs. We know the more AI becomes a part of things, the more we all will develop that tingling in the back of our head that maybe what I'm reading or seeing isn't real. When you can just genuinely say, 'Look, this is who I am, this is what I do, this is what I believe in,' that means something to people. That is only going to increasingly mean something to people.

SULEMAN DIN: Let's keep in mind that not everyone is a born communicator. And a number of advisors come from environments where external communication is tightly controlled. They might not know how to express themselves the way you're advocating.

RYAN NEAL: It can be a scary thing. At TradePMR, we have launched Apollo to help advisors and their staff drive better communication through technology tools such as digital surveys, coupled with coaches and industry thought leaders that bring extensive experience to help advisors and their clients navigate today's challenges. As you said, not everyone has that skill set; not everyone's good at it. Not everyone wants to do it, either. Part of what we want to do is connect advisors with leaders, people who are really good at it, and helping them devise that messaging strategy, the marketing to help them get their stories out there.

SULEMAN DIN: In your mind, are there examples of advisors or firms who are successful, authentic communicators?

"Yes, there are advisors out there who still have a 'secret sauce' for investments, but I believe it's now widely accepted that the key to growth is building that relationship, building that human connection and being someone a client can rely on."

- **Ryan Neal**
TradePMR Senior Editor

RYAN NEAL: There are a number who have built large followings on social media, and they did so because they showed us their authentic selves. They make witty comments and share in-jokes, but they also give helpful information. When there was an issue involving our industry, I always found they gave good commentary on what they thought, without a filter. The key again is these folks went beyond that suit-and-tie investment persona, like, 'Here's my personality. I can tell jokes and I like Hip Hop. But, oh, you have questions about whether I should have a savings account or an HSA? Here's what you should do.' They are just good at that.

SULEMAN DIN: You've brought up the suit-and-tie financial advisor persona a few times. Is that something you think needs to change?

RYAN NEAL: That's coming from my personal bias as a punk rock kid in New York City who didn't know a single thing about finance before I got hired at Wealthmanagement.com to cover the industry and had to learn it on the fly. It's probably not fair, but for many people out there, what will they assume in their head when you say financial advisor? It's going be a clean-cut person, probably wearing at least business casual, if not a full suit. Do I think that needs to change? I don't know if it really does, to be honest. Does everybody want to work with someone like that? No. And there's definitely room for people that are more casual to more formal.

SULEMAN DIN: I want to come back to your comments on the idea of how the industry reporting on itself is a new model of doing things. When we launched *Action!* we wanted to build a resource that went beyond the coverage that is very much trends-based and transactional. Our goal is to be within the industry talking to others, learning about their issues, how they're handling them and then sharing that knowledge freely so that everyone can benefit.

RYAN NEAL: I'm a sports guy, so I always come back to sports analogies. I love hearing actual athletes and coaches breaking down the plays. That's something *Action!* does for our space – getting actual industry people break it down to the practical, here's what you gotta go do at your firm in order to capitalize on these trends. We see opportunities for the other side when it comes to the narrative. We're looking to launch a new publication at TradePMR that creates a platform for people in this space to tell their personal stories. Mostly advisors as well as tech leaders, thought leaders, the names you know, to talk about why they're in this industry. What I've been explaining to people is *Action!* magazine does the how of wealth management. Here's how you do it: the plays and the nuts-and-bolts stuff. We're gonna be the why. Why did they become an advisor? What are their success stories? I've heard throughout the years at industry conferences people talk about how it's more than about making money. It's about building relationships and helping people achieve their financial goals and their dreams.

Let's hear the stories. Let's hear about the advisor who worked with a single mother to help get their kids through college. Let's hear about the advisor who came from another country and learned the American financial system on their own and now works with fellow immigrants in their community to help them achieve their dreams here in the United States. I'm really excited to hear about them and learn about them and give people a mouthpiece.

We're also launching a podcast called "Synergize" designed to help advisors evolve and grow in an emerging AI-driven world. We're bringing on a range of industry thought leaders to explore what we believe are the most meaningful topics driving sustainable growth. For example, understanding and creating a personalized client experience. Or how to leverage technology to deepen client relationships and prospect interactions at scale. Part of that is what we've been talking about here – how advisors can tell their story in a compelling and contagious way. The idea is to bring experts from across a range of disciplines to share insights that help RIAs evolve their value proposition and position their firm to success in the financial advice business of tomorrow.

Ryan Neal:
How to tell your story better

- ☐ **1. Start with a plan**
  While it can be tempting to start firing off words like a social media post, I think it's better to have a written outline that establishes your audience, your voice, what you're trying to communicate and why your audience should care.

- ☐ **2. Be authentic**
  Clients, prospects and anyone else you hope will listen to your story and know when you're trying to make something up or be someone you aren't. No one likes a phony. There's a reason Mark Twain urged others to "write what you know."

- ☐ **3. Be unique**
  No one will care if your story sounds like everyone else's. Know what else your target audience is reading, and make sure you're not just rehashing what they can already find someone else.

- ☐ **4. Have a goal**
  Whether you're hoping to generate new leads, connect deeper with existing clients or become an industry thought leader, have a clear and measurable outcome you're trying to achieve. And have a plan for tracking progress towards that goal!

- ☐ **5. Provide value**
  Even the most interesting stories in the world can go unnoticed if the audience is left asking, "What's in this for me?" Make sure your story isn't just about you but provides a concrete value to your audience.