

Wells Reinstates Diverse Hiring Policy Amid Criminal Investigation

The company plans to keep to the 50% “diverse candidate” guideline but apply the approach based on job level instead of compensation, as it had before.

By Alex Padalka | August 2, 2022

Wells Fargo has opted to reinstate a policy aimed at bringing in a more diverse workforce. The policy was suspended in June after reports emerged about interviews being held for positions that were already filled.

In 2020, Wells Fargo implemented a “diverse slate” policy that required half or more of the candidates being interviewed for open positions with a salary of \$100,000 or more to be “diverse,” meaning non-white or female.

In May, The New York Times **cited** several current and former Wells Fargo employees claiming that the company told staff to interview Black and female candidates for jobs in the wealth management unit that had already been decided on for others. Following those reports, Wells Fargo suspended the policy.

Wells Fargo chief executive officer **Charles Scharf** told staff in a memo in June that the firm would pause the policy for several weeks so that executives have time to analyze and make changes, ensuring that “hiring managers, senior leaders and recruiters fully understand how the guidelines should work.”

On Monday, Wells Fargo said in a statement that it reinstated the policy after a six-week review of its diverse candidate slate hiring practices, combined with interviews with the firm’s recruiters and hiring managers.

“We are recommitting to our diverse candidate slate guidelines with changes that will help clarify and simplify the process and lead to a better experience for all candidates, internal and external. We began this exercise knowing that diverse candidate slates work, and that they are a common, good practice across multiple industries,” **Bei Ling**, Wells Fargo chief human resources officer, said in the statement.

“Wells Fargo has seen measurable increases in diverse representation over the past several years, and we believe that diverse candidate slate guidelines have been one of the many contributing factors. Our review helped us to identify opportunities where we can further improve how the guidelines are implemented.”

Wells Fargo said that it will continue with the 50% diverse candidate slate but expects that figure to “evolve as our diverse representation continues to improve.”

The company also said that it’s redefining which positions fall under the diverse slate policy based on job level rather than compensation.

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Moreover, Wells Fargo plans to change its existing exception approval process, offer revised training for recruiters and managers on the diverse candidate slate approach and continuously monitor the guidelines’ “effectiveness of their contribution to our goal of increasing diverse representation,” according to the statement.

Wells Fargo always stood behind the diverse slate policy overall.

“The diverse slate guidelines we put in place are meant to increase diverse representation across the company and we can see meaningful results in our hiring data since 2020,” the company told FA-IQ in a statement back in June, as the firm was suspending the policy. “At the same time, it’s important that implementation of our guidelines is consistent.”

In the statement released on Monday, Wells Fargo touted that the diverse slates “have had a noticeable impact in helping Wells Fargo increase diverse representation. Since 2020, there have been meaningful increases in gender, racial, and ethnic diversity for positions throughout the company.”

Namely, while the firm’s overall U.S. external hiring volume increased 17% in 2021 compared to 2020, it rose 27% when it came to “underrepresented racial and ethnic groups,” according to the firm. “This means that the pace of external diverse hiring was 10 percentage points higher than the pace of hiring overall from 2020 to 2021,” Wells said in its announcement. “Between 2020 and 2021, external hiring of women in the U.S. increased 23% – six percentage points higher than the pace of hiring overall.”

Meanwhile, Wells Fargo faces a criminal probe over the allegedly bogus job interviews.

In June, the Times reported that a newly created civil rights unit inside the criminal division of the Manhattan U.S. attorney’s office launched a criminal investigation in response to the publication’s reports about the sham interview practice.

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SEC Marketing Rule: New Engagement Tools but More Red Tape

The new rule allows advisors to share testimonials and endorsements as well as use third-party ratings and hypothetical performance.

By Emily Dattilo | August 2, 2022

Registered investment advisor firms are in various stages of complying with the **Securities and Exchange Commission’s** new marketing rule and preparing to benefit from it.

The new marketing rule – which has a compliance deadline of November 4 – has been top of mind for the compliance staff of RIA firms. Around 78% of compliance staff at 425 RIA firms surveyed by the **Investment Adviser Association** have said it’s the “hottest” compliance topic they face so far this year.

The new rule allows advisors to share testimonials and endorsements as well as use third-party ratings and hypothetical performance.

It prohibits certain practices, such as making untrue statements or omitting material facts, discussing possible benefits without covering corresponding risks, including or excluding performance results in a way that’s not fair and balanced, or giving out materially misleading information.

What Does the Marketing Rule Do?

Expands the scope of communications that are considered “advertisements” for purposes of the rule.

Allows the use of testimonials, endorsements, third-party ratings and hypothetical performance in advertisements, subject to the rule’s principles-based regime.

Expands the scope of solicitation activities, including solicitation of investors or prospective investors in private funds. Further, it applies to solicitations in exchange for compensation which includes both cash and non-cash compensation.

Expressly applies to communications by advisors of private funds.

Preparing for this new rule takes time, says **Matt Seitz**, chief marketing officer at wealth and tax planning company **JL Smith**. The company offers financial planning and advisory services through **Prosperity Capital Advisors**.

“[There] are more tools in the toolbox” for client engagement, according to Seitz, who worked with the company’s chief compliance officer who “put together a whole project plan on taking it piece by piece.” The comprehension and preparations have also included attending webinars and speaking with lawyers, he said.

JL Smith is focusing on using testimonials and endorsements, Seitz said, noting that the company hasn’t solicited any from clients, but clients have been sending them anyway.

The new rule permits the use of testimonials and endorsements, subject to compliance with the disclosure, oversight and written agreement, and disqualification, according to the **Wagner Law Group**.

Definitons of Testimonials and Endorsements

A testimonial is any statement by a current client or investor in a private fund advised by the advisor: (i) about his or her experience with the advisor or its supervised persons, (ii) that directly or indirectly solicits another to be a client of the advisor or invest in a private fund the advisor advises, or (iii) that refers any client or investor to be a client of the advisor or invest in a private fund the advisor advises.

An endorsement is any statement by a person other than a current client investor in a private fund advised by the advisor that: (i) indicates approval, support or recommendation of the advisor or its supervised persons or describes his or her experience with them, (ii) directly or indirectly solicits any current or prospective client of the investment advisor or investor of a fund the advisor advises, or (iii) refers any current or prospective client or investor to be a client of, or an investor in a private fund advised by, the advisor.

Source: Wagner Law Group

The biggest compliance challenge for JL Smith is supervision, specifically regarding the use of third-party ratings, according to Seitz.

Content in a site that houses third-party ratings, for example, would be “constantly changing and evolving, as people are adding, editing the reviews,” Seitz said. “I think that is going to be a toll from a supervision aspect for compliance departments.”

Edelman Financial Engines plans to offer clients the opportunity to tell their stories in “less transactional, more personal ways,” according to **Jason Van de Loo**, head of wealth planning and marketing at the company.

The company has been ranked highly by certain third parties, but the company has “always felt like it’s difficult to tell that story because of some of the handcuffs” placed on what’s permissible in communications or marketing, Van de Loo said.

The new rule will remove those handcuffs. “[W]e’re excited to be able to be a little bit more creative and give our clients the opportunity to express in their own words how they feel about their relationship with us,” Van de Loo said.

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Meanwhile, Edelman is streamlining information on its website and social media, according to **Joe Loparco**, the firm’s head of external communications.

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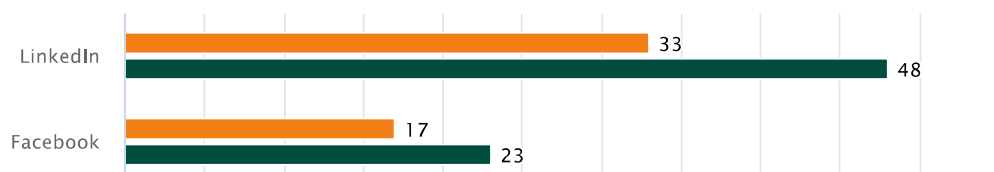
April 23, 2021

Advisors Face Pitfalls with Testimonials Under New SEC Ad Rule

Advisors' use of **LinkedIn, Facebook, Twitter, YouTube** and **Instagram** has been rising in recent years, with the use of LinkedIn having been the most pervasive, according to a report from the Investment Adviser Association and **National Regulatory Services**.

Mark Matson, founder and chief executive officer of RIA firm **Matson Money**, has created a master list of "old materials that need to be scrubbed and redone" and a list of the things the company has wanted

Advisors' Social Media Use



to do and "are now possible" because of the new rule.

While Matson is confident his firm will meet the compliance deadline, he believes smaller RIA firms may be facing more challenges because there's "lot of red tape to jump through" and "smaller firms are going to get eaten up with legal expenses."

Matson said the new rule is a "mess" and there's a lot of "confusion" about what some of the provisions mean, such as the "fair and balanced" component of the rule.

"[I]f you show a report that says stock picking doesn't work, do you have to show another report that says stock picking does work even if you don't believe the validity of the report?" he asked.

Matson expects some of that confusion to be cleared up with enforcement or court cases, and until such time that they are cleared up, "a lot of people are going to be fumbling around in the dark again."

Carson Group has updated its partner resources, including its "Communications with the Public" guide, according to **Don Slaughter**, compliance manager at the company. That guide provides Carson Group's partner offices with guidance on marketing communications to current and prospective clients.

The company's ad review compliance team is working to provide partner offices with a summary of the rule and best practices before the compliance deadline, according to Slaughter.

Slaughter notes that the new rule is medium-agnostic whereas the old rule was specific to written communications.

Compliance issues aside, advisors believe that when done right, using the new engagement tools available to them through the marketing rule will benefit their relationships with clients and the ability to attract new ones.

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Clients Asked About FA's Retirement Plans. He Eased Their Minds

"I wanted them to know that if anything happens to me, they have someone I trusted to take care of them moving forward," according to Ameriprise Financial advisor Michael Carretta.

By Sam Del Rowe | August 2, 2022

Ameriprise Financial advisor **Michael Carretta** chose to combine his practice with that of another advisor at the firm to ensure that his clients will be in good hands when he retires.

Carretta, 62, plans to retire in about three to four years. He has been with Ameriprise for 27 years and, prior to that, worked in accounting for 15 years with healthcare organizations.

Unlike Carretta, a quarter of advisors retiring within 10 years are unsure of their succession plans, according to a report from **Commonwealth Financial Network** and **Cerulli Associates**.

Carretta says he began considering his succession plan about three years ago in response to questions from clients about what would happen when he retires.



Michael Carretta

“I had some clients asking how much longer I planned on working before retirement. I wanted them to know that if anything happens to me, they have someone I trusted to take care of them moving forward,” he said.

After considering teaming up with advisors within Ameriprise and externally with other firms, Carretta ultimately chose to combine his practice with that of another Ameriprise advisor, **Garrett Helfritch**.

The merger was completed in December 2021 and the combined practice, **Carretta, Helfritch & Associates**, has \$200 million in client assets, according to Carretta. The practice is based in Monroeville, Pennsylvania.

“Combining practices allows me the time to ensure my clients were taken care of successfully because I could introduce them to new team members to make the transition a gradual one. Additionally, it provides me the opportunity to retire down the road and know my clients are well taken care of,” he said.

Carretta and Helfritch have known each other for 25 years and the merger was “a natural fit” according to Carretta.

“Garrett really takes care of his clients and is passionate about helping them succeed,” he said.

Ensuring that the two practices were compatible was crucial, according to Carretta.

“We matched up well in terms of how we execute financial planning and asset management. It was an easy transition with minimal changes to continue what we had been doing,” he said.

“It made sense to combine with someone who was already under the Ameriprise umbrella. Because we both worked with Ameriprise, we knew we had the same values and were working toward the same end goals on behalf of our clients,” he added.

Carretta says his clients have been appreciative of his efforts to ensure their wellbeing when he retires.

“They thanked us for thinking through the succession plan with such care and ensuring they were taken care of moving forward. Because I have known Garrett for so long, it was easy to introduce him to clients and talk about why he was the right fit,” he said.

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Garrett Helfritch

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How to Have a Solid Relationship with Your Client

By Sam Del Rowe | August 2, 2022

Edward Jones financial advisor Jesse Abercrombie says an "advance plan" is necessary.

The following text is a transcript of a portion of a speaker's presentation made at an industry conference or during an interview. This transcript solely represents the view of the individual who spoke, and not the view of *Financial Advisor IQ* or any other group.

Source: FA-IQ, Jun. 15, 2022

SAM DEL ROWE, REPORTER, FINANCIAL ADVISOR IQ: Hi, my name is Sam Del Rowe. I'm a reporter with Financial Advisor IQ, and I'm with **Jesse Abercrombie**, financial advisor and general partner at **Edward Jones**. How do you create a holistic experience for clients, and what goes into that?

JESSE ABERCROMBIE, FINANCIAL ADVISOR, EDWARD JONES: A really solid wealth management strategy is to not only have investment advice that you're providing, but also have some form of an advance plan or some form of advance strategies. Those advance strategies will be helping the client with their estate planning, their tax planning, wealth protection, and even charitable giving. I think if you take those three things, the investment consulting, plus that advance plan, and a solid relationship management strategy with your clients, you're going to have a very solid relationship, and you're going to be able to really work with them for decades.

SAM DEL ROWE: Jesse, thanks for taking the time to speak with us.

JESSE ABERCROMBIE: Thanks. It was a pleasure.

Tags: Finding and winning new clients, Client retention, Investment strategies, Retirement planning, Tax planning, Estate planning, Portfolio management

Here's Why Advisors Think They're Successful

Male and female advisors approach the impact of other people on their success quite differently, according to survey findings.

By Alex Padalka | August 2, 2022

Most financial advisors, regardless of gender, feel like they're successful, but there are key differences in what male and female advisors attribute their success to, according to survey findings.

Seven of 10 financial advisors believe they're successful, **The American College Center for Women in Financial Services** says it found in a survey of 800 financial advisors between October and November 2021.

And across the board, advisors chose "trust," "individual effort" and "specialized knowledge" as the three key influences on becoming successful, according to the survey.

But male and female advisors approach the impact of other people on their success quite differently.

For starters, women were more likely than men to value external factors as instrumental to their success, including "communication," "community support" and "marketing," according to the survey.

Moreover, women were more likely to consider interpersonal professional relationships and experiences as essential to their career success, The College says.

Male advisors, meanwhile, were more likely to see relationships as merely reinforcing "their already-established sense of success rather than as a contributing factor to it," according to the report.

But The College also found that 83% of individual female advisors were successful without support, compared to 54% of individual male advisors.

“This shows that despite their focus on individual success, male advisors may also be in need of the same support systems women in the industry prize,” The College said in a statement.

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Schwab Rolls Out Crypto ETF

The Schwab Crypto Thematic ETF is slated to start trading on the NYSE around August 4.

By Alex Padalka | August 2, 2022

Schwab is the latest traditional financial services firm to introduce a crypto-related exchange-traded fund.

The Schwab Crypto Thematic ETF is expected to start trading on or about August 4 on the **New York Stock Exchange** under the ticker “STCE.”

The ETF is designed to track the Schwab Crypto Thematic Index, which in turn aims to give investors “global exposure to companies that may benefit from the development or utilization of cryptocurrencies and other digital assets,” Schwab announced on Friday.

The fund will invest in the companies listed on the Crypto Thematic Index rather than in crypto or digital assets directly, according to the firm. The index taps human research, artificial intelligence and systematic models, the company says.

Schwab added that its ETF’s 0.30% annual operating expense ratio makes it “the lowest cost crypto-related ETF available to investors today.”

“For investors who are interested in cryptocurrency exposures, there is a whole ecosystem to consider as more companies seek to derive revenue from crypto directly and indirectly,” **David Botset**, head of equity product management and innovation at Schwab Asset Management, said in the announcement. “The Schwab Crypto Thematic ETF seeks to provide access to the growing global crypto ecosystem along with the benefits of transparency and low cost that investors and advisors expect from Schwab ETFs.”

Schwab’s crypto ETF joins similar funds from **BlackRock** and **Fidelity**.

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BlackRock launched its iShares Blockchain and Tech ETF, which tracks the NYSE FactSet Global Blockchain Technologies Index, in January this year.

In April, Fidelity rolled out the Fidelity Crypto Industry and Digital Payments ETF and Fidelity Metaverse ETF.

Fidelity, however, went one step further the same month, announcing that it would allow the 23,000 companies using its 401(k) platform the option of letting plan participants **put up to 20% of their 401(k) savings into Bitcoin**.

That move has attracted attention from the **Department of Labor** and criticism from several Democratic lawmakers.

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FAs Should Be Gaining New Clients Amid Market Volatility

Advisors can also currently steer clients toward tax loss harvesting and risk adjustment, according to Cerulli Associates.

By Alex Padalka | August 2, 2022

Financial advisors stand to gain new clients from the current upheaval in the market, as well as properly positioning their existing clients for the next phase of it, according to a recent report.

Demand for each type of advisor – except for those that have the greatest discretion over client assets – rose following each of the three “notable” volatility spikes over the past decade, as measured by the CBOE Volatility Index, **Cerulli Associates** writes.

Moreover, last year self-directed investors said for the first time that they wanted additional financial advice, according to the company.

“For advisors, this can be an excellent opportunity to get in front of possible new clients by distributing timely information and knowledge about both the markets and the current situation to properly contextualize events,” Cerulli research analyst **John McKenna** said in a statement.

“It also presents an opportunity to approach clients already in a formal relationship about long-term planning to ensure they will be in an advantageous position in the long run,” he added.

Advisors also have an opportunity to properly align their clients’ portfolios in the current environment, according to the research firm.

Two months before the start of the Covid-19 pandemic, only 6% of investors expected to decrease their investments, and that rose to only 10% by April 2020, according to Cerulli.

During the same period, an average of 40% of investors expected to make net increases in their investments, and around the time the market began peaking, in November 2021, 47% of investors planned to make increases, according to the report.

“Establishing long-term plans remains crucial for both advisors and clients, but in the short and medium term, tools such as tax-loss harvesting and risk re-adjustment could be critical to help ensure clients can enter the next market upswing in as strong a position as possible,” McKenna said in the statement.

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Numerica Credit Union Jumps to Cetera

The credit union’s investment program was previously affiliated with CUSO Financial Services.

By Sam Del Rowe | August 2, 2022

Cetera Financial Group says **Numerica Credit Union** will bring its investment program to **Cetera Financial Institutions**.

Numerica, which is based near Spokane, Washington, was formerly affiliated with **CUSO Financial Services** and manages \$200 million in client assets, according to Cetera.

With Cetera Financial Institutions, Numerica will have access to tools, technologies and solutions including AdviceWorks and Growth360. AdviceWorks is a platform for financial professionals and members, while Growth360 is a methodology aimed at helping financial professionals learn from and incorporate the strategies of their fastest-growing peers, according to Cetera.

“Cetera has a long-standing reputation for helping banks and credit unions offer innovative investment services and solutions,” **Carla Cicero**, Numerica president and chief executive officer, said in a statement.

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“We are confident that Cetera and Numerica coming together will bring even more value to our members,” she added.

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