Honorable Mention

By Kerry Pechter *Thu, Oct 25, 2018*

Arthur Laffer, the supply-sider, dabbles in financial wellness; BBVA launches robo-advice tool on BNY Mellon Pershing platform; Migration to bonds finally reverses: TrimTabs.

Arthur Laffer, the supply-sider, dabbles in financial wellness

My Financial Coach, the robo-advisor co-founded by “supply-side” economist Arthur Laffer, has launched a website designed to help employees coordinate and their personal assets with their employer-provided benefits.

A Yale- and Stanford-educated economist who leaped onto the national stage as an advisor to Ronald Reagan in the 1980s, Laffer provided academic support for the notion that, if extremely high taxes can discourage economic activity and reduce tax revenues, extremely low taxes could do the opposite.

Republican intellectuals, officials and policymakers from Jude Wanniski to David Stockman to George W. Bush and Donald Trump have used the idea to justify dramatic tax cuts. But the policy uniformly produced budget deficits, not increases in revenues–as in Kansas under Governor Sam Brownback in 2012.

The MFC program is a corporate-sponsored group benefit that enables employees to

- Turn to Certified Financial Planners (CFP) as financial coaches for independent fiduciary advice, then self-invest, or
- Use our financial coaches to augment work with the employee’s existing advisors
- Use our coaching service to access subject matter experts for help with financial planning and implementation.

Principals of MFC include Laffer, Chris Cruttenden of Cruttenden Partners, William L. MacDonald, and Andy Ramey.

Enpo Tu, newly appointed chief operating officer of MFC, Tu was a planner for LearnVest, a financial representative for Bank of America, and a financial consultant for AXA-Advisors.

The company’s CFPs serve as unbiased, non-selling coaches. A support team of subject matter experts (SME) includes retirement planners, money managers, insurance experts, estate planning lawyers, and tax specialists. Both CFPs and SMEs work with the employer’s human resources team. Users access live chat, phone and email on mobile and desktop platforms, and 24/7 email support for advice and information.

Through a single access point, MFC's SmartTech system lets view

- Financial accounts
- Tax and legal documents
- Insurance coverages
- Investments
- Annuities
- Individual retirement accounts
- 401(k)s
- Employer compensation and benefits plans
- Stock options
- Restricted stock units and shares
- Real estate holdings
- Estate planning documents
- Wills, trusts and deeds.

Users can store all documents in an online vault and collaborate with their coach or other advisors remotely.

BBVA launches robo-advice tool on BNY Mellon Pershing platform

SmartPath Digital Portfolios, a new digital advice solution available on BNY Mellon Pershing's advisory platform, has been launched by BBVA Wealth Solutions to help "investment advisors achieve increased efficiencies and scale" and to help investors choose from "a selection of managed account options."

Banco Bilbao Vizcaya Argentaria (BBVA) is the second largest bank in Spain. It was formed from a merger of Banco Bilbao Vizcaya and Argentaria in 1999. The company is a constituent of the IBEX 35 and Euro Stoxx 50 stock market index.

"We provide actively managed models that leverage non-proprietary ETFs," said Bruce Hagemann, head of Investment Services for BBVA Compass and CEO of BWS (BBVA Wealth Solutions). The system assesses clients according to five different risk models, a BBVA release said.

SmartPath Digital Portfolios uses a risk tolerance and time horizon-based questionnaire to help clients choose investments. It charges an annual asset-based fee of 0.75% (i.e., $75 on the minimum $10,000 initial investment). There are no additional trading or rebalancing fees.

SmartPath Digital Portfolios is based on Pershing's Digital Portfolios, which integrates Pershing's investor platform, NetXInvestor, with the firm's investment advisory solutions. SmartPath leverages Lockwood WealthStart Portfolios, which is designed to serve "emerging and mass affluent" investors rather than high net worth investors. It incorporates five out of six WealthStart models with traditional and nontraditional asset classes, leveraging non-proprietary ETFs.

Pershing's Digital Portfolios is based on plug-and-play software that provides Pershing clients with full customization options and can be reconfigured based on specific client needs.

Migration to bonds finally reverses: TrimTabs

Bond funds, battered by months of losses, are on track for their first outflow in almost two years and their biggest monthly outflow in nearly three years, according to a new report from TrimTabs Research.

But bond mutual funds and exchange-traded funds have shed $23.6 billion in October through Friday, October 19. This month's outflow is set to be the first since December 2016 and the largest since at least December 2015, when bond funds lost $24.1 billion.

"The Fed isn't the one only cutting back on its bond holdings, and the recent selling by fund investors is a massive change in trend," said David Santschi, Director of Liquidity Research at TrimTabs.

Before October, bond funds had 21 consecutive monthly inflows. Moreover, investors pumped a staggering $829.2 billion into bond funds in the five years ended in September.

Months of losses are finally catching up to bond funds. Bond funds are down 1.0% in October, bringing their year-to-date losses to 4.0%.

At the sector level, corporate bond funds have been sold much harder than Treasury bond funds this month despite similar performance. Corporate-bond ETFs have shed $5.8 billion (3.7% of assets)—including a five-day outflow that was the biggest on record—as they have dropped 1.4%. By contrast, Treasury bond ETF flows have been flat even though these funds are down 1.6%.