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The Bucket

By Editorial Staff *Mon, Feb 13, 2012*

Brief or late-breaking items from Capital One, ING Direct, New York Life, Guardian Life, LPL Financial, AXA Advisors, Envestnet, T. Rowe Price and Towers Watson.

What’s in Capital One’s Wallet? ING Direct

After eight months of hearings and debate, regulators on Tuesday approved Capital One’s $9 billion acquisition of ING Direct USA was approved this week by regulators who discounted criticism that the deal would create another too-big-too-fail bank.

In June, Capital One agreed to pay $6.2 billion in cash for ING Direct USA. Under the terms of the deal, Capital One would also issue $2.8 billion worth of new shares to ING, giving the Dutch firm a 9.9 percent stake.

The Federal Reserve’s consent, which held public hearings on the matter and twice postponed plans to announce a decision on the deal, came with the condition that Capital One revamp its internal controls, specifically around its lending and debt-collection practices.

The bank, according to a Capital One spokesperson, plans to close the deal in the next few days. It will have 90 days to outline its plan to strengthen its compliance and other risk-management controls.

The deal presented the first major test case for the post-financial crisis regulatory regime. As part of the Dodd-Frank financial regulatory overhaul, the Fed must now weigh the potential hazards of big bank mergers and kill any deal in which the systemic risks outweigh the rewards.

The addition of ING’s online banking unit in the United States will make Capital One—previously not among the top ten—the fifth largest U.S. bank by deposits. With more than $200 billion in deposits, it will be larger than PNC and TD Bank.

Community bankers and consumer advocates, such as the National Community Reinvestment Coalition, had characterized the deal as a risk to taxpayers and Capital One as an aggressive subprime lender. Capital One argued that the deal would bring a broader range of loan products to ING Direct customers.

It is the latest move by Capital One to build a national banking franchise, in an effort to expand beyond credit cards.

In the wake of the financial crisis, Capital One has also bought Chevy Chase Bank in Maryland and the mortgage business of North Fork Bank in California. Last August, Capital One announced plans to buy HSBC’s American credit card business for $2.6 billion. Capital One expects the HSBC acquisition will gain regulatory approval in the second quarter of 2012.

New York Life to keep hiring in 2012

New York Life aims to hire 3,700 financial professionals in 2012, recruiting 3,600 new agents in 2011, the company said in a release.

Women and individuals who serve ethnic markets will be actively sought, the release said. In 2011, 57% of those hired were women or individuals who represent the cultural markets. An additional recruitment focus for 2012 is men and women transitioning to the workforce from the military.

Also, Eagle Strategies LLC, the registered investment advisory and subsidiary of New York Life, plans a 50% increase in the number of advisors in the network by 2015, or 500 new advisors, to a total of 1,500.

Guardian amps up its small-plan sales campaign

The Guardian Insurance & Annuity Company, a unit of Guardian Life, has added three new hires to its 401(k) sales force. The new hires follow a year of expansion by Guardian in the small plan market (under $5 million).

Jason Frain was appointed vice president, 401(k) Product Management and Development, Guardian Retirement Solutions. Frain joined Guardian with more than 13 years experience in the retirement industry.

Guardian announced that the services of SWBC Investment Advisory Services LLC, an independent registered investment adviser, would be available to plan sponsors who utilize The Guardian Advantage or The Guardian Choice as the funding vehicle for their participant directed qualified retirement plan. The services of SWBC can help mitigate a plan sponsors' risk for selecting, monitoring and diversifying the investment options that are available under the plan.

Guardian also introduced a new presentation, "Are You F^2 Prepared: Navigating the Fiduciary and Fee Disclosure Regulatory Landscape" that can help financial professionals understand the differences between advice and education and the implications these two different approaches may have on fiduciary liability under ERISA.

In addition, the Guardian Advantage fund line-up was expanded by 23 new investment options for a total of 79 and The Guardian Choice fund line-up added 28 options for a total of 84.

LPL Financial and AXA Advisors extend clearing agreement

LPL Investment Holdings Inc., parent of independent broker-dealer LPL Financial LLC, and AXA Advisors, LLC announced the extension of their custody and clearing agreement, effective immediately.

LPL Financial will continue providing advisory, brokerage, clearing and custody services to AXA Advisors and its financial professionals.

“AXA Advisors’ broker-dealer platform is a critical component of our retail distribution business,” said Christine Nigro, president of AXA Advisors. “This renewal is a natural extension of our ongoing efforts to provide clients with an innovative and robust investment platform.”

Envestnet to acquire Prima Capital for $13.75 million

Envestnet, Inc., a provider of integrated wealth management solutions for financial advisors, has agreed to acquire Prima Capital Holding, Inc., a provider of investment manager due diligence, research applications, asset allocation modeling and multi-manager portfolios to the wealth management and retirement industries.

The $13.75 million cash acquisition is subject to post-closing adjustments and to customary closing conditions, including third-party consents. It is expected to be completed by April 15, 2012.

Prima’s clientele includes regional broker-dealers, trust companies, independent RIAs, family offices and seven of the top 20 banks in the U.S. by total assets.

The acquisition of Prima extends Envestnet’s range of offerings to financial advisors. Envestnet plans to enhance its wealth management solutions with Prima’s web-based advice, analytics and data on managed account strategies (UMA and SMA), mutual funds, ETFs and alternative investments.

As part of Envestnet, Prima can leverage its innovative wealth management technology platform and investment product solutions. The Envestnet due diligence process will also be enhanced by Prima’s research process and tools, the companies said in a release.

J. Gibson Watson III will become group president of Envestnet • Prima, a unit within Envestment. Watson founded Prima in 1999. Broadridge Financial Solutions, Inc. acquired majority ownership of Prima as part of Broadridge’s acquisition of Matrix Financial Solutions, Inc. in January 2011.

Sterne, Agee & Leach, Inc. acted as the exclusive financial advisor to Broadridge and the shareholders of Prima in connection with the sale of Prima to Envestnet. Mayer Brown LLP acted as counsel to Envestnet. Squire Sanders (US) LLP acted as legal counsel to Broadridge and Fairfield & Woods P.C. acted as counsel to the management shareholders of Prima.

Younger investors add little to IRAs: T. Rowe Price

Less than half (45%) of younger investors plan to contribute to an Individual Retirement Account (IRA) for the 2011 tax year, according to a survey by T. Rowe Price, the no-load mutual fund and retirement company.

Most of those surveyed (55%) said they do not plan to fund an IRA or are unsure whether they will do so this during tax filing season, which ends April 17. For 2010, 71% of these investors made an IRA contribution.

The decline in commitment to IRAs among Generations X and Y (defined as ages 35-50 and 21-34, respectively) appears to be being driven by several factors:

- A belief that current participation in a 401(k) plan is adequate for now (42%).
- A feeling that they can't afford it (32%).
- Economic uncertainty (23%).
- Market volatility (14%).
- Job uncertainty (12%).

When asked what they would do with an extra $5,000, most investors (56%) said they would pay off existing debt or add to a "rainy day" fund; only 16% said they would contribute to an IRA.

Many younger investors, having experienced the subpar returns of equity markets over the past decade, may have lost some faith in stocks. T. Rowe Price's new study found that only 22% of Generation X and Generation Y investors feel confident about the financial markets heading into 2012. Among investors who plan to fund an IRA this tax season, 28% said they will direct their contributions to relatively stable investments such as money market funds, despite the historically low current yields offered by these vehicles.

T. Rowe Price's research into IRAs and the investing practices of Generation X and Generation Y investors was conducted online from December 1 to 12, 2011, by Harris Interactive among a national sample of 860 adults aged 21-50 who currently have one or more investment accounts.

Pension funding down in all major global markets in 2011: Towers Watson

Despite some improvements in the fourth quarter, pension funding levels in major global markets dropped in 2011 due to declining discount rates and weak asset returns, according to Towers Watson's latest Pension Index.

Generally positive asset returns in the fourth quarter of 2011 were largely offset by declines in discount rates. As a result, overall movements in the Pension Index for the quarter were relatively small and mixed, ranging from a fall of 2.7% in the U.K. to a 4.4% increase in the U.S.

The Towers Watson Pension Index is a measure of funded ratio based on the projected benefit obligation (PBO) for a benchmark pension plan. The Pension Index is tracked across seven markets: Brazil, Canada, the Euro-zone, Japan, Switzerland, the United Kingdom and the United States.

Of the seven markets, the Canadian Index had the largest decrease (16%), followed by the U.S. (12%). The

U.K. Index also dropped significantly, by almost 9%.

Asset returns were positive over the year; however, discount rates, which had been close to flat for the first three quarters, declined significantly in the fourth quarter.