MARINO PARTNERS LLP

Marino Market Minutes

Spring 2017

Contents

Events Calendar

Marino Meet & Greet in Honor of Armed Forces Day
Thursday, May 18th, 2017
5:30-8:30 pm
Office of Marino Partners, 15 Fisher Lane, White Plains, NY 10603
RSVP: pwilson@marinollp.com

Marino Business Breakfast
Date TBA
Office of Marino Partners , 15 Fisher Lane, White Plains, NY 10603
RSVP: pwilson@marinollp.com

The Miracle League of Westchester Golf Outing
Monday, June 26th, 2017
Sunningdale Country Club, 300 Underhill Road , Scarsdale, NY 10583
For more information contact:
rmonzon@mlway.org

I Sing the Same Old Song?

By Paul Marino

> "You need a new song, I'll set the words up so they tear right at your soul. Don't take me too long but there's a danger that I'll plagiarize something old. My fingers kill me as I play my guitar 'Cause I've been chewing down at my nails. My hairline ain't exactly superstar but there's one thing that never fails, this never fails: I write the same old song with a few new lines and everybody wants to cheer it. I write the same old song you heard a good few times. Admit you really want to hear it."

It seems to me that the equity market, political system and—let's be honest with ourselves—humanity, mirrors the above lyrics—things seem to be different, when in reality, they are fairly constant (not ground breaking news); however, don't take that to mean that things never change; things do change. For example, in the past 20 years many things once considered socially unacceptable or "taboo" are now mainstream. Conversely, items that were once mainstream are now considered taboo—which, for the most part, is progress (especially socially); however, that's not the point—the point is that today's progress is tomorrow's status quo. Therefore, if one scratches the veneer one realizes that nothing ***really*** changes; in fact, on a deeper level, change often cements the status quo (in other words the change we believe we are getting is nothing more than what we had before—think Classic Coke (wait, there was a new Coke?).

Things do change because society definitively changes (*i.e.,* social progress); but do we as humans change—no—our societal norms certainly do but I am fairly certain that we do not change (how could we unless our hardwiring is changed and that hasn't happened since Methuselah was bouncing his grandson Noah on his knee). We are on the top of the food chain on Earth and we have not had a catalyst event that has caused us to change our behavior otherwise. Accordingly, I posit that nothing is changing—in fact we as humans are likely less at war and suffering than ever before in human history—sure the music might sound a bit different and the instruments might change a bit and everybody's talkin' 'bout the new sound; funny but it's still rock and roll to me.

The Rise of the Machines

No, I am not talking about Skynet (although it sometimes seems that's where we are headed); but I am talking about the march forward of artificial intelligence in the financial services industry. Recently, I was at a conference and one of the speakers was discussing artificial intelligence in investing (and of course in our everyday lives). This move towards machine level thinking should be embraced much as we ditched abacuses for calculators. What also seems inevitable for the overall market is that, even for venerable firms such as T. Rowe Price, the market will be ditching financial advisors and analysts and moving accounts to a robo-advisor and allocating investment *vis-à-vis* a risk algorithm that will adjust using artificial intelligence. Some pundits have viewed this as the beginning of the end of financial services industry. This pundit sees the rise of robo-advisors and artificial intelligence as the rise of smarter calculators and self-checkout machines.

Robots and automated devices will not be taking over the world anytime soon, but computer systems are being trained to analyze more like humans—but with greater speed and accuracy. They are programmed to handle such complex tasks as understanding natural language, visual perception, and speech and text recognition and translation.

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Trying to explain what's going on by putting metrics and reasoning around events and/or facts that are not binary (mainly human activity) is a fool's errand and more often than not it is emotion/sentiment that drives our decision making. As soon as computers can do that, I'm moving to Mars.

IS GLASS-STEAGALL COMING BACK?

Meet the new boss…same as the old boss. Due to the voluminous above the fold stories on President Trump, Russia, North Korea, President Trump, Russia (hey is this 1984—on a side note—the positive results of the US and Russia being at odds is that my children can really get the meaning behind Rocky IV) it would be easy to overlook the slow but steady drumbeat of "repeal the repeal" of the Glass-Steagall Act. For example, Bloomberg reported on Wednesday, April 5, that White House National Economic Council Director Gary Cohn said in a private meeting with lawmakers that he favored the separation of investment and commercial banks, as was the case before the 1999 repeal of the Glass-Steagall Act. According to the article, Mr. Cohn is not the only person in the Trump administration who supports this position. Treasury Secretary Steven Mnuchin has also expressed support for bringing back some version of the Act.

Senator Elizabeth Warren (D-Mass.), whom the Bloomberg article referred to as "one of the financial industry's most relentless critics", agreed. On Thursday, April 6, she, together with senators John McCain (R-Ariz.), Maria Cantwell (D-Wash.), and Angus King (I-Maine), re-introduced the "21st Century Glass Steagall Act," which was first introduced in 2013. Senator Warren issued a statement that the bill "would separate traditional banks that have savings and checking accounts and are insured by the Federal Deposit Insurance Corporation from riskier financial institutions that offer services such as investment banking, insurance, swaps dealing, and hedge fund and private equity activities," and would "make 'Too Big to Fail' institutions smaller and safer, minimizing the likelihood of a government bailout."

It is unclear if Elizabeth Warren's vision of the future of banking coincides with that of the Trump administration or if Congress will sign off on a new Glass-Steagall Act, but, if implemented, the Act could have a significant effect on banking institutions.

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- Congratulations to Stuart Ditsky for selling his highly successful accounting firm to Prager Metis.
- Congratulations to Bevel Brands for their acquisition of an interest in Squatty Potty.
- Lastly, congratulations to Phil and Kate Marino on the birth of their baby daughter (and my niece) Annette G. Marino (named after my late great mother).

WEALTH ADVISORS: ACHIEVING INDEPENDANCE

By: Caitlin D. Harrison

Seeking freedom from corporate mandates and higher profits, advisors of all sizes are breaking away from full service brokerages, or wirehouses, to join regional broker dealers or become independent advisors. New technology and the growth of advisory platforms have now made it possible even for smaller advisors to operate independently and successfully; a move once thought to be achievable only by the largest of advisors.

No longer hindered by limited product offerings and restrictive investment parameters, independent advisors are achieving success through the ability to tailor their services to better serve their specific clients. Going independent gives advisors the freedom to create their own approach to wealth management, recommend products of their choice, retain all of the revenue they generate, and maintain control of and own their own business.

As is the case with starting any business, there are risks associated with becoming an independent advisor and foregoing an association with a wirehouse, which has conventionally been thought of as a value adding relationship. Wirehouses customarily have provided advisors with (1) a steady, predictable stream of income or compensation, (2) an affiliation with a recognizable brand name, (3) the ability to maintain a license and receive commissions from product sales, and (4) extensive back office and operational support. However, the perceived risk in forfeiting these "benefits" can be turned into advantages and opportunities for growth.

There is no substitute for experience

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Compensation

As in any industry, leaving an established firm to start an entrepreneurial venture means, at least initially, losing the security of a predictable guaranteed salary and employer-sponsored contribution plans and taking on the risk of being unable to generate enough revenue to achieve comparable or adequate levels of compensation.

However, unlike a standard grid model at a wirehouse, where advisors would typically receive between 33% and 45% of revenue they bring to the firm, independent advisors will retain 100% of the revenue they generate and, with the reduction in overhead expenses discussed below, this can lead to higher payouts than would have been realized while they were affiliated with a wirehouse. A number of reports show that an overwhelming majority of independent advisers said they were better off financially after making the move.

Brand Name

Going independent allows advisors to craft their own brand, message, and advisory approach that can be tailored to resonate with the existing clients they seek to take with them or potential new clients they aim to gain. An affiliation with a well-known wirehouse traditionally was thought to give advisors credibility, which created opportunity and access to both clients and products. This concept has changed, however, in a post-financial crisis world, where many investors and individuals seeking advisory services mistrust large banks and financial institutions and prefer to work with independent advisors.

License and Commission

Going independent and becoming an SEC registered RIA with no wirehouse affiliation can result in advisors being unable to retain their broker licenses thereby compromising their ability to receive commissions from product sales, relegating them to a fee-only model based on the advisory services they provide. One alternative to the wirehouse or nothing option (that is going fully independent) is for the advisors to become hybrid RIAs, whereby they maintain an association with a regional broker dealer. This hybrid model would allow advisors to achieve some additional independence while keeping their broker licenses active and receiving commissions from product placement. An association with a regional broker dealer can also lead to increased access to products, custodians and operational support without coming under the more stringent mandates of a wirehouse.

Support

While the concept of going independent may have seemed logistically burdensome and cost-prohibitive to smaller advisors in the past due to the loss of operational support wirehouses provide, developments in technology and advisory platforms have made the path to independence feasible and cost effective, allowing such advisors to successfully and profitably operate independently.

Joining a network and utilizing a platform designed specifically for independent advisors provides a streamlined approach to supplementing an advisory business with the services a wirehouse traditionally provides, including support with compliance, marketing, errors and omission insurance, audit services, back office help, and even office space. Outsourcing operational support and joining an advisory platform reduces the burden, both in terms of cost and time, that would otherwise be spent obtaining and maintaining each of these necessary components individually. It is this reduction in overhead expenses that allows the advisor the possibility of retaining a higher percentage of revenue than they would see at a wirehouse.

Dynasty Financial Partners, for example, has developed a platform specifically for use by advisors seeking to operate independently from wirehouses and regional brokers. Dynasty provides financial technology platforms, strategic planning, tax and audit-ready books and records, financial reporting, investment and operational support, marketing and branding, legal and compliance support and access to a community of other independent advisors. Partnering with a firm like Dynasty allows advisors seeking to go independent to receive the transitional help, financial advice, and operational assistance they need to launch an independent advisory firm.

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WHO IS YOUR EXECUTOR

By: George Kontogiannis

Everyone knows or has heard that they need to do estate planning for tax reasons, protect the children and make sure assets go to the people or charity they want. One often overlooked aspect of estate planning is choosing the person or people who effectuate the plan later - your fiduciary.

A fiduciary is a person who occupies a position of special confidence and has legal duty to act in the best intentions and benefit of another. In estate planning, the person who carries out a decedent's wishes pursuant to a last will and testament is an executor. The fiduciary who manages a trust is a trustee.

When choosing your fiduciary, great care should be taken to pick someone who will be loyal and trustworthy. Your fiduciary will have legal authority to distribute your estate or trust assets. So if they are inclined to defraud the estate or steal, they can do so.

New York Statute (SPCA sec 707) lists certain eligibility requirements for a fiduciary. It is a pretty low bar in that the fiduciary can't be an infant, incompetent, a felon, or one who doesn't possess the qualifications because of substance abuse, dishonesty, improvidence, want of understanding or the catch all, otherwise unfit. You don't want to rely on this though as the eligibility requires someone to point out to the court that an appointed person is ineligible. It's best to pick someone trustworthy, loyal, and has "special confidence" from the start and not rely on someone else to govern and undo your decisions.

Unfortunately, I was recently involved in such a case where the decedent made a poor choice by choosing a family member instead of choosing someone loyal and trustworthy. Like every person should do, a mother drafted a will to protect her teenage child. She named a family member as an executor. Mom passed away and the family member became executor to manage the estate until the teenager turned twenty one. After the appointment, the executor must have had other issues, stopped communicating with the teenager and never distributed the estate to the child. After **years** of protracted attempts to locate the assets and get the child his rightful inheritance, it was discovered the executor stole the entire estate for his own use and the six figure estate was gone. This was only discovered after a sheriff had to locate the executor and bring him to the courthouse in handcuffs to disclose and account for his actions as executor.

Choose your fiduciary wisely. If there is not an individual who can act, there are corporate trustees such as banks and trust companies who can act and will make sure your wishes are followed. Make sure your estate goes where intended.

Marino News!

THE MIRACLE LEAGUE OF WESTCHESTER

GOLF OUTING

Monday, June 26, 2017

Registration is now open

Honorees: Paul and Rachel Marino

There is no substitute for experience