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Cantella Quarterly

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From the President

It's been a tumultuous quarter for markets – and for financial advisors. We've heard from many advisors that they're fielding questions about everything from economics and trade to tech stocks and taxes. Sometimes the questions are easy to answer, and sometimes they're a bit more complicated – but in many cases, the first person that confused clients reach out to is you, their financial advisor.

It goes to show you that financial advisors offer so much more than investment management: You can become the key resource for those who want to know more about the intersections of Washington, Wall Street, and Main Street. Having these conversations takes time. As most advisors know, questions about finance are rarely just about finance, and one of the keys to providing good answers is the ability to know your client well enough to get to the heart of the issue – as it relates to them. The other key is having the tools and services available to resolve or prevent these issues.

We continue to invest in our platform, as do our three clearing partners. We want to ensure you have the biggest selection of best-in-breed tools and services. Our multi-clearing platform can make it overwhelming to keep up with the depth and breadth of our offering, so keep your eye out for webinars, new features, and product launches in our email updates. Additionally, make sure you reach out to us if there are any particular needs or questions you have: Succession planning, guidance on purchasing a book of business, increasing your social media presence, leveraging CashEdge or eMoney, lending solutions, trust services, to discuss creating a plan to add additional advisors to your team and more.

We continue to migrate additional branches to our new advisory platform, and we are pleased with the results so far. We will keep you posted as the launch continues. We are seeing increased adoption of mobile check deposit and e-delivery as well.

Please ensure that you explore these options to save time and increase efficiency within your branch.

Please reach out to us with any additional questions on recent rule changes and how they impact your practice: DOL, Standing Letters of Authorization and the Custody Rule, FINRA's Financial Exploitation of Specified Adults Rule (Trusted Contact Information/ Temporary holds on disbursements), FINCEN's Customer Due Diligence Rule, FINRA and MSRB Fixed Income Price Disclosure rules

We also continue to add talent to the home office team. John Sullivan, our Vice President of Managed Assets & Business Development, adds his years of industry experience to our strategic business development efforts. John is also responsible for growing and further expanding our managed investments platform and advisor support of managed assets. Eric Levine has joined our Compliance Team and brings years of regulatory and legal proficiency to the group. Tom Buckley brings both operations and compliance experience to his role on our Transitions Team. Our expanding Operations Department now includes Michael Eglow, Josh Mayo, Sean McNelly, Jon Coughlin, and Kelsey Strait. All come with a variety of industry experience at other independent broker/dealers, RIAs, and insurance broker/dealers. Last, but certainly not least, IT has added support specialist and customer service liaison Ken Medeiros.

As we invest in our own infrastructure, we do so with one critical goal in mind: Building up our systems to help support and streamline yours. As always, please continue to share your ideas.

Sincerely,

Jennie Devlin
President and Chief Revenue Officer

Are you Prepared?

By Jim Freeman, *Chief Relationship Officer*



Cantella and Co., Inc. is an independently owned, Boston-based broker/dealer and RIA that has been an innovator in the financial services industry for more than 65 years.

Founded in 1952 as a specialist on the floor of the Boston Stock Exchange, Cantella made markets in hundreds of New England-based companies and was one of the largest execution providers for institutional investors and asset owners based in Pacific Rim countries.

Always forward looking, the firm's business lines evolved to remain relevant as the landscape changed. Today, Cantella provides solutions to financial advisors, broker/dealers and RIAs. Staying true to our roots of loyalty and innovation, we continue to help our clients realize their unique visions.

The stock market will go down at some point. It has been a fun ride up since early 2009, but volatility spikes are back, and we haven't seen a 20% pullback since August 2011. We may be due for one. Many advisors were ill -prepared for the collapse from late 2007 to early 2009 and were forced to rebuild their books of business. So, when gravity inevitably pulls us down, what do we do? Here are action items to consider:

Stay in contact with your clients and remain proactive.

You have probably done well for your clients, but ask yourself these questions: Are they sending you referrals along with more assets? Are you offering informational breakfast meetings to talk about the markets and inviting friends of clients? Are you bridging to the next generation? You should be opening accounts with the next generation to avoid being part of the 90% statistic of advisors who get fired when their clients pass. A new favorite book to help bridge the gap between generations is Barbara Sedoric's *The Lasting Matters Organizer*, which consolidates all essential legacy planning information in one place.

Never be complacent.

This is especially true for your A clients. Analyze your Cantella Production Dashboard. Have you lost any assets in the past year? How did you replace them? Understand how challenging it is to recover from losses.

Original Loss	Return Required to Recover
10%	11%
20%	25%
30%	42%
40%	67%
50%	100%

Do you have an action plan in place if we experience a downswing? Are you diversified? Warren Buffet keeps a portion of cash available at all times for the opportunity to be "...greedy when others are fearful." Peter Lynch, however, believed in being fully invested and stated,

“Far more money has been lost by investors preparing for corrections or trying to anticipate corrections, than has been lost in corrections themselves.”

Maybe you have a strategy that incorporates a little of both.

As the Cantella Managed Investments platform (CMI) roll out continues, your branch will soon have access to a tool that calculates the correlation between holdings. You can establish risk parameters for customers and keep a portion of assets in non-correlating asset classes to reduce portfolio volatility. Absolute hedge strategies like the Gabelli ABC Fund come to mind. Consider entering stop losses or trailing stops on investments. Short duration income funds will not get you rich and can provide available assets for reallocation if you decide to become more aggressive.

And finally....If you are willing to give up some upside, puts are an option (couldn't help myself!).

Success With Succession Planning

By Sheelagh Howett, *Chief Risk Officer*

When we talk to advisors about their business, it's often in the area of processes and controls. However, a critical risk for financial advisors that often gets overlooked is succession planning. Whether through retirement or an unforeseen accident, every advisor will need to transition his or her business at some point. Putting a plan in place can help protect your family and clients from unnecessary stress, and it can also help you get more value out of your life's work.

However, succession planning isn't just a good business practice: Increasingly, it's also a compliance issue. The SEC has taken more interest in the issue of transitions and succession, and the Commission has even stated that advisors have a fiduciary duty to put a plan into place. In audit scenarios, you are more likely to field questions about your long-term plans than ever.

That makes succession planning a smart idea from pretty much every angle. At Cantella, we have resources to help you through this planning process and a commitment to helping each advisor maximize the value of his or her practice. Here's what you need to know, and why it's so important.



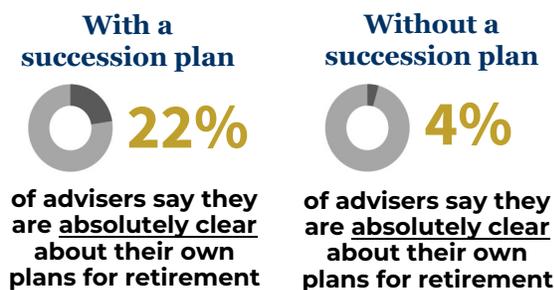
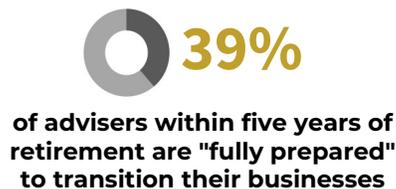
The need for a plan

Most advisory practices are single-owner models, focused on servicing clients and often forgetting, or not getting around to dealing with, the long-term plans for the business itself. It's common for advisors not to focus on transitioning out of their business and into retirement as they get older. But failing to plan is, as they say, planning to fail.

Few advisors enter into the business just to plan on getting out. You love what you do, have deep relationships with your clients and a desire to stay involved in the work you do for as long as you can. However, having a plan in place can help you protect your wealth and family by providing a backstop in an emergency and making it easier to maximize the value of your business. It can also help your clients receive consistent, qualified, and caring advice beyond the scope of your own career. This can be invaluable to your relationships, especially for clients who want to offer wealth transfer and support their own children or grandchildren.

Types of succession plans

The most basic form of succession planning is to focus on business continuity: What will happen to your business in the event of death, disability, or a health issue. Whether or not you have already selected a person for this role, we can help you map out and formalize your arrangements. If you need more time to think it through, our "player to be named later" agreement can help protect your family members in the event of an emergency. This can give you breathing room to consider the succession planning issues specific to your firm or book of business.



Financial Planning Association and Janus Henderson Labs. (2018). *The Succession Challenge 2018: Why Financial Advisors are Failing to Plan for the Inevitable*

Cantella and Co., Inc. provides services to the following:

- Financial Advisors
- RIAs and Hybrid RIAs
- Broker-Dealers
- Technology Outsourcing

LET'S WORK TOGETHER

If you're an entrepreneur who wants to work with a great team while building your business your way, we'd love to hear from you!

Please call:

Jay Lenaghan (617) 224-1462

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A formal succession plan is another option. This provides a process for the incremental transition of ownership and control from one leader to the next. Compensation can be structured so that you receive an upfront payment or payments over time (can be pre- and/or post-retirement). Also, compensation structures tied to the future revenues of your practice help you unlock the full value of your business, while giving your successor confidence that he or she is paying a fair price. Successions make it possible to slowly wind down your own working life while continuing to preserve – and even grow – the value of your business. Your successor will have the time to learn about the business you have built, including overall culture, the specific relationships you have with your clients, and the investment management philosophy you employ.

A phased plan also helps ensure that your clients get a smooth transition with sufficient attention to their needs. A formal plan makes it possible to slowly hand off your clients so that they're more likely to stay with your firm, thereby preserving the value of your business even post-retirement.

If you're thinking of developing a succession plan, contact our office for help. We can help you find a suitable succession partner, including an existing Cantella advisor, or we can walk you through the process of adding a junior advisor to your practice. Junior advisors, who you groom over several years to eventually fill a successor role, can make for excellent continuity of client relationships.

We also recommend maximizing the value of your business with efficient repeatable processes, scalability, and high levels of client service.

Building towards your own plan

In any situation, it's important to consider the needs of your career, your family, and your business - not to mention your personal goals - before making a plan for your business.

Your practice will be more valuable if it does not depend entirely on you. We've invested heavily in resources for our advisors to develop a systematic and scalable client service experience, and we encourage you to take full advantage. When the business is less reliant on you, it is easier to retire on your terms and still benefit from the business you built.

The one thing we think is non-negotiable: Planning ahead. This is critical to making any succession planning scenario a success. Call us today to talk about your business and succession strategy, and we'll work with you to develop a plan that can help you steer your business more confidently towards the future.

Adviser Business Continuity and Transition Plans, 17 CFR § 275 (2016).

Wallace, Jason. "U.S. advisers already prepping for proposed business continuity, transition rules." *Reuters*, 23 Aug. 2017.

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