

Financial Insights with Dean Zayed



Dean Zayed, president and CEO of Brookstone Capital Management, shares his thoughts on current trends for registered investment advisors (RIAs) and their place in the ever-changing financial landscape today.

Brookstone Maintains Advantage with Enhanced Advisor Platform

Brookstone Capital Management is on a mission. In just the last year, CEO Dean Zayed has doubled his staff, created an open architecture solution with highly reduced fees, launched a robo-solution, initiated a partnership with the largest asset manager in the world, and forged several enterprise contracts with software vendors to provide sophisticated software services to the advisor. And all of this is offered at absolutely no cost to the advisor. What has propelled Dean Zayed to do all of this? His conviction that a powerful advisor investment platform will greatly empower Brookstone-affiliated financial advisors and position them for massive growth. In this interview, Zayed discusses how Brookstone is responding to the evolutionary changes the industry is undergoing and building the most flexible and competitive RIA platform in the industry today.

Where is the industry headed and how is Brookstone staying ahead of the curve?

A: Boomers are a generation of 80 million Americans looking for sustainable, predictable income. Their needs are much different from their parents' generation. Not only must portfolios last significantly longer, but they must create enough income to sustain lifestyle expectations. This generation will force our hand to include creative, relevant and outcome-oriented investment solutions. Unlike the accumulation focus that the industry has had the last several generations, we must now transition to an industry that provides real financial planning while helping clients navigate choppy markets successfully. For example, many boomers will require income that will last 20 years or more and will have their plans derailed if they experience a large drawdown. Beating a benchmark like the S&P 500 should become less important

than building and implementing a plan that will allow clients to satisfy every one of their lifetime goals. Brookstone has met these specific needs with the launch of a true, open architecture platform that offers a plethora of relevant and powerful investment strategies alongside a seasoned investment team that includes CFPs and CFAAs.

What three things must advisors do in 2016 to stay relevant?

A: First, advisors must communicate on a regular basis with their clients. This includes having a RIA partner who can provide meaningful, substantive content to assist with that communication. Second, it's essential they incorporate more technology into their practice. Technology is transforming the way clients use and interact with financial advisors. Not to mention that this technological revolution is happening quickly and will force some unprepared advisors out of the industry in the next 10 years.

In fact, during the second quarter of 2016,

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we will provide our advisors with a completely digital solution (robo-like) to more effectively onboard new clients and manage these relationships in a seamless and efficient manner. This can all be done directly from the advisor's website, providing clients the information they need on demand and freeing up the operational resources of the advisor. Finally, it is imperative that advisors provide sophisticated, 21st century advice and not just plain vanilla or unproven investment strategies. Portfolio construction will be a major factor that clients use in deciding to hire and fire advisors. Brookstone

advisors don't act alone in a vacuum as we provide them with a tremendous amount of collective intelligence and resources. Over the last 10 years, Brookstone has assembled a team of 45 investment professionals that are "on call" every day to service our advisors and has built the most comprehensive asset management platform in the industry today.

What do I need to know about the aging bull market?

A: If you lack sophisticated tools and don't work with a RIA that has decades of experience in asset management, you will find this seven-year-old aging bull market to be very problematic as it likely heads toward a large correction at some point. Advisors must have specific strategies in place to stabilize a portfolio during the most volatile times. These strategies are often sophisticated in nature and not offered by many RIAs, since many RIAs simply lack the intelligence and resources to incorporate them. To meet this challenge, Brookstone's platform includes a thoughtful blend of both strategic and tactical strategies that will meaningfully minimize targeted drawdowns.

Advisors have the option to act as "portfolio manager" by selecting the strategies and allocations they think are best for each client. Alternatively, we have also built multiple, globally diversified, risk-based models that utilize the latest advances in portfolio

construction as overseen by our investment committee. These portfolios are designed to handle and stabilize portfolios that span all types of risk tolerance. They give the advisor a turnkey ability to leverage our intelligence as we navigate the breadth of our open architecture choices to build these models and actively manage them as we anticipate a transition from this aging bull market. The flexibility we provide advisors is unmatched in the industry today.

Why is the open architecture platform important to advisors?

A: A true open architecture platform provides advisors a tremendous number of investment funds, strategies and money managers to choose from in constructing portfolios. It's not just the number of choices a platform offers that is important but the quality and mix of choices is equally as important. Our team of CFAAs along with our investment committee has built a rigorous due diligence

structure to evaluate every money manager and strategy that we allow on the platform. This provides a sophisticated layer of protection to our advisors and clients who have the confidence that the strategies they are using have been properly vetted and will undergo continuous oversight. Most other RIA platforms we have seen offer a limited number of strategies and these RIAs do not have a true

I see some RIAs still charging close to 3% in fees! We think 2% is too high and that advisors that don't work with a RIA with a progressive fee schedule will quickly lose their competitive edge.

investment committee that understands how to properly analyze a money manager. Frankly, as a proud fiduciary, this is a bit scary to me as it ultimately leads to poor results and unhappy clients. It is imperative for advisors to thoroughly understand the investment process and intelligence their RIA brings to the table. After all, the RIA that an advisor chooses is the best direct reflection of that advisor's judgement and commitment.

What kind of partnerships have you forged and how do they impact advisors?

A: As part of the open architecture enhancement to our new platform, we have entered into game-changing partnerships with several investment industry giants. Our institutional investment partner is the largest asset manager on the planet with over \$4.5 trillion in assets under management. They deliver to Brookstone the totality of their intelligence both as free-standing funds and through model portfolios.

Our other partnership has allowed us to leverage a firm that has built robust, "smart beta" indexes that have consistently outperformed the broad market. Brookstone has a near exclusive opportunity to utilize this intelligence. We added a proprietary, volatility-based overlay to their flagship index to create one of the most unique investment strategies in the industry today, and one that simply doesn't exist anywhere else. It is smart growth with a proven method of mitigating large drawdowns and it is only available through Brookstone. We are working on developing additional strategies that blend growth and protection and believe we are trailblazers in this area.

What is Brookstone's impression of fee compression?

A: Fee compression is happening in the industry and will likely accelerate over the next several years. The robo-advisors and discount brokerage firms have made advisory fees a central topic in their national advertising campaigns. Add to this the movement towards a uniform fiduciary duty and the drive for total transparency in what an advisor is compensated, and you can see that the

What is Brookstone's position on robo-advisors?

A: Brookstone's approach to the robo-advisor movement is to embrace it and not ignore it. While I am not convinced that today's robo players will ultimately be the ones that thrive, I do believe that having the robo capability backed by a live, fiduciary advisor is the right business model to pursue. To this end, we want our advisors to be empowered to choose to add a robo solution to their practice in a manner that enhances their practice.

Brookstone has made a substantial investment in technology the last few years and we now have our very own robo-solution that our advisors can access beginning in the second quarter of this year. This will allow advisors to attract clients they may have never acquired in the past or to use the robo solution for smaller accounts that can ease some of the servicing obligation. Robo clients today can be tomorrow's full service clients who need more planning and access to other products built for income and retirement. Embracing technological solutions that help us adapt to the changing needs of the market will keep Brookstone far ahead of the curve. •

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