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 ***WEALTH ADVISERS BOOST DISCOUNT BROKERS***

*By Lisa Beilfuss*

*"Business is booming for discount brokerages. But this time the players driving the boom aren't day traders chasing dot-com riches.  They are****independent financial professionals known as registered investment advisers****who manage rosters of typically affluent clients and trade on their behalf with the assets held at the brokerage firms.*

*Two of the firms leading the way in serving these customers,****Charles Schwab Corp. and TD Ameritrade****Holding Corp., have pulled in about $200 billion combined in net new assets this year, most of which has come from the independent advisers, according to the companies.*

***While the discount brokers have long served independent advisers, the business has picked up in recent years.****"firms that set up custody businesses for financial advisers are reaping the benefit," said Devin Ryan, managing director at JMP Securities LLC, as****independent advisers "have been the fastest-growing area of the wealth-management industry."***

*The boom underscores two trends that have been upending the wealth-management sector in recent years.  The first is a wave of****traditional brokers leaving firms like Bank of America Corp's Merrill Lynch,******and Morgan Stanley****as they seek to maintain greater control over their business and less pressure to market certain types of products, from****proprietary funds to credit cards and mortgages****.  The second is a new federal regulation known as the* ***fiduciary rule, aimed at curbing conflicted investment advice****that has forced traditional brokers to retool their business models.*

***By 2020, research firm Cerulli Associates predicts that independent advisers will control more assets than Merrill Lynch, Morgan Stanley, UBS Group AG, and other major brokerages combined.****At Ameritrade new client assets on the adviser side surpassed last years' results by more than 50%, CEO Tim Hockey said in October, marking a record year.*

*Executives and analysts say the trends behind the discount brokerage boom are poised to continue, thanks in part to an increase in consumer awareness about the****impact of investment fees****and the difference between brokers and advisers.****Registered investment advisers have for decades been required to put clients' interests first,****and typically charge fees, while brokers have operated under a standard in which they could recommend products that would pay them the most in commissions as long as the investment was deemed suitable.*

***"Fee-based, fiduciary models are the fastest growing areas of the industry,"****said JMP Securities' Mr. Ryan. Schwab and Ameritrade both attribute their strong net new asset growth largely to independent adviser clients."*

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