



IMpact: An investment management podcast series

Episode 13: ETF abundance: Seizing opportunities in a crowded market

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Reese Blair: *Hello, everyone. I'm Reese Blair, your host of IMpact, the investment management podcast series from Deloitte. In every episode, we come together to explore the issue shaping the industry, whether it's regulation, recession, or resiliency.*

By diving deep into the latest news, trends, and challenges, we'll discover how collaboration and shared insights can drive progress for professionals across investment management. So, tune in, learn something new, and walk away with insights that can help you make an impact on the IM industry and the world around you.

IMpact listeners, today, we are exploring emerging trends in ETFs with Joel Schneider, Deputy Head of Portfolio Management at Dimensional, a leader in investment management. Joel, it is incredible to have you here with us today.

Joel Schneider: Thanks for having me Reese, and I'm looking forward to talking ETFs.

Reese Blair: Alright, let's start at the beginning then. Was there a particular change or moment in the industry that really shifted how you view ETFs and their potential for investors?

Joel Schneider: Yeah, I would say it came in waves. Instead of there being one moment, I think there were three waves. The first wave was around 2005 to maybe around 2015. And during that wave, you saw a huge growth in index ETFs. So, pretty much every index that was out there was turned into an ETF, and people were making new indexes

to packages ETFs. In the second wave, somewhere around 2015, you started seeing a lot of what had been active strategies and people were making indexes out of those active strategies. So, we call those active indexes. Those are things like factor indexes, smart beta indexes, thematic indexes, and then they would package those as ETFs. Now, as you got to the end of that wave, we just became saturated in indexes. So, by 2017, I mean, funny enough, there were more indexes than there were stocks. So, I would say that second wave, you had some constraints put on those because when those ETFs were managed — and the sort of the central mechanic of an ETF is that when people create and redeem shares, the authorized participant generally transacts in kind through baskets. Those baskets all had to be pro rata slices of your holdings unless it was an index rebalance event, which is only a couple times a year. So, basically, they could only really reposition the portfolio a couple times a year. So, the third wave I would say really was in 2019 when the SEC came out with their ETF rule, which is rule 6c-11, and that really unlocked a lot of value adds that you can do in terms of having daily active baskets.

Reese Blair: Got it. And I would imagine there was probably some tax efficiencies there as well. Because as you're talking about waves Joel, it takes me back to the episode that we had about the waves washing over the industry, and so I just can't help but thinking about the tax implications as well.

Joel Schneider: Yeah, you're absolutely right, Reese. So, with active baskets, you can increase the tax efficiency because you are having more opportunities in terms of harvesting losses or deferring gains that you can do through those baskets, and then also, I think it allows us to apply a lot of the research into what helps explain short term returns and costs. So, there's decisions that you want to make about maybe when to hold off and not buy certain stocks or bonds. And so, there are some of that academic research that we're known for that you can sort of bring into a strategy, and instead of just buying things when the index tells you to, you can be smarter about what securities to add and when, and you can improve your expected returns. So, there was, I think, a big unlock of value with the ETF rule, both in terms of improving performance, and in making it more tax efficient.

Reese Blair: So, the unlock, as you said, it wasn't just more ETFs, it was more ways to deliver value inside that ETF chassis from flexibility around baskets to better tax hygiene. That makes a lot of sense to me, thank you for sharing that, Joel. So, let's pivot a little bit and ask maybe a common misconception that you've heard about ETFs. Are you still hearing anything among professionals that people just get wrong about ETFs?

Joel Schneider: Yeah. I think there's a couple common misconceptions. So, one of them is a category of misconception which I would call it the tail wagging the dog. And in that metaphor, the tail is tax efficiency and low fees. Now, don't get me wrong, those things are good. You want a tax efficient low fee ETF, but if the investment strategy that that ETF is delivering is crummy, then it doesn't matter how tax efficient or low fee it is, it's still a crummy investment. And so, I think people are starting to become more knowledgeable about really doing due diligence and understanding, "Hey, what's the investment strategy in here? I shouldn't just be looking for things that are low fee and tax efficient." And then the other, I think, misconception is that believing that everything that seems innovative is truly new. There's a lot of things in the ETF space that are new, but there's also a lot of repackaging of things that have been around for years. Some things that are maybe questionable strategies that haven't panned out so well in other vehicle types are being repackaged as ETFs.

Reese Blair: Well, you said a couple things and there was a vuja de moment for sure in that. Something that is new is not necessarily innovation, that's turning a concept on its head, if I ever heard it. And you also mentioned repackaging, and so I think about wrappers and how wrappers sometimes can be viewed as a viable investment solution. But what I heard you say, Joel, is that the wrapper is a delivery system, but portfolio outcomes really at the end of the day still live or die on what I call the trifecta: exposure, process, and implementation. That's how I think about it. So, Joel, let's maybe try to synthesize this down, I'm going to put you on the spot here. If we could capture the current ETF landscape in one word or phrase, what would it be and why?

Joel Schneider: I think abundant is the word. And it's just because there's so many options out there now, and I think every week, you look and there's new strategies being offered, and the ETF wrapper does provide it. It's like any tool. So, you can use any tool for good, bad, or indifferent, but there are some advantages that the ETF wrapper has. And so, you can deliver things that are very tax efficient, but it's probably best leveraged by certain types of strategies. And I think we'll see how many of these alternative types of strategies and asset classes end up sticking around, how many of them can really thrive and take advantage of that ETF effort, and how many can't. It'll just take years for that to shake out though.

Reese Blair: Got it, abundant. I love that. I almost think about it like a menu at one of my favorite restaurants where there's just pages and pages of options and if you know, you know. And so, for me, all that means is that the market's got a full menu to choose from. And so, as I'm often faced with a dilemma of what to order when I go to said restaurant, maybe let's pivot the conversation to talk about who's ordering what — let's break it down into access and use cases, if we will. So, talking about accessibility, use cases, democratization, how have ETFs contributed to making sophisticated investment strategies more accessible to a broader range of investors?

Joel Schneider: It depends on what you mean by sophisticated strategies. So, let's just pause on that for a second, because sophistication can be good, but sophistication and complexity aren't necessarily the same things. And so, I tend to think of sophistication as using the state of the art, the most kind of advanced, reliable research techniques, historical lessons to create solutions that actually help people meet their investment goals. And so, I really like that famous quote from Einstein, which is that you should make things as simple as possible, but not simpler. It shows you there's sort of an attention there. And so you have to deploy that sophistication in the right way. But that sometimes some of these strategies are so complex that maybe people don't fully understand what they're getting. And so, I think that, just like when you go to your favorite restaurant with the big menu, the onus is on you to do a little bit more, asking the server, figuring out which of these things might be right for me just because you do have an abundance of choice.

Reese Blair: That's right. Abundance of choice, which then comes through the form of accessibility. Sophistication and accessibility are not necessarily mutually exclusive concepts. Just because it is sophisticated, it can still be accessible, and therefore, by it being accessible, that would be a delineating marker of progress. However, I would say you still need to think about literacy. And so, that part of it, of not understanding what you're getting into, leveraging the subject matter expertise of advisers such as yourselves or that friendly waiter that's going to steer you down the right path is something that I think is really important.

Joel Schneider: I agree with you. I'll give you an example from our business in terms of how accessibility has worked out well for more investors. And if you look back, so we've been managing strategies for 44 years, and we like to be really research focused it would be great to be able to offer those types of strategies to more investors. Now, the challenge that we had was that if we opened up some of our mutual funds to a much broader set of investors, the mutual fund format, the way it works is when cash flows come in or go out, you trade in that fund. So, any trading costs are borne by the current investors. And so, if you open up distribution too far, you could be negatively impacting your current investors. Now, the cool thing about the ETF wrapper is most of the transactions with the ETF happen in kind, through the authorized participant. So, investors are able to buy shares on the exchange, and then an authorized participant will deliver or take a basket of securities from the fund, so the trading costs have been externalized. Because of that, we were able to offer our strategies to a lot more investors because the ETF solved one of those accessibility problems.

Reese Blair: Got it. And then you're going down a road that I'm sort of scratching my chin and thinking, "Hmm, he's touching on the challenges that are going to be faced by retail investors." So, let's unpack some of the call it main challenges that you've seen that still exists for retail investors, and how are providers working to address, curious to get your take.

Joel Schneider: Yeah, absolutely. So, I think earlier, you said what's become a buzzword in the industry, which is providers are out trying to democratize everything. And for those listeners who read Matt Levine's column in Bloomberg, he had a great quote, which is, if someone in finance tells you that they're going to democratize anything, hold onto your wallet. The onus now has sort of shifted to the investor, or if that investor's working with a financial advisor, which can be really helpful, is to understand now that they do have access to so many ETFs, which of them is going to help them meet their financial goals the best? And if you haven't defined what your financial goals are, then the risk is that you wind up with sort of this collection of seemingly interesting ETFs, but by the time you put them all together, they're not necessarily giving you the type of exposures or the type of outcomes that you're looking for. And so, I do think it's really important as investors to think about what is my goal, and then what asset allocation helps you meet that goal, and then the third step after you do those two things is, okay, which ETF might be a solution for me.

Reese Blair: Got it. And we're talking about investors, that is quite the ocean to boil Joel, so maybe let's get a little bit more precise with thinking about the types of investors. And I'm really curious to hear your perspective on different investor groups, i.e. institutions, maybe even advisors in a fund-to-fund situation. How are they approaching ETF usage within their portfolios?

Joel Schneider: So, we work with clients across the spectrum, and we work with advisors, we work with very large institutional clients, and we see a lot of different use cases for ETFs, and I'll give you a few examples. So, for advisors, a lot of their client base tends to be taxable. So, they're thinking about what sort of ETFs can give them a core long-term holding that's going to be very tax efficient as well. And it's really important that they think about not just capital gains, but they need to think about income because the tax bill is a combination of the two. And so, I think the ETF industry has gotten really good about being tax efficient from a capital gain standpoint, but at the end of the year, investors are paying taxes on both income and gains. And so, that holistic kind of financial planning, tax management, what is the total after tax return is a big focus for them. And then in terms of institutions, it's interesting there because some of them are taxable just like the advisors' clients, like corporations, insurance companies, and then some like public pensions aren't. And so, for those types of clients that aren't taxable, we see two use cases. Some of them are holding our ETFs as long-term core holdings. So, for example, if you're looking at emerging market equity exposure, it can actually be pretty time consuming and expensive to open up institutional separate accounts in all of those countries. Some are known for being pretty slow, and expensive to open like India. And some of those state pensions are using our emerging markets ETFs as long-term holdings to get that exposure in a very cost-efficient way. Other ones will use them more for exposure management. So, it may be that they've got a lot of cash, that they need to be highly liquid, they're trying to equitize it and they're like, "Hey, I can do slightly better than buying just this index fund." And so, to me, I think there's tons of different use cases, but the one thing that maybe we can get to a little bit later is one limitation I still see, is that for those taxable clients, there's a lot of them who invested in certain strategies maybe 10 years ago when ETFs weren't available for them in that strategy, and they're holding mutual funds now but really, they would probably be better suited or would prefer an ETF. And so, one of the things that we've been working on is to try to bring about ETF share classes of mutual funds, which would be a really cool capability for the investor who's in that mutual fund to just be able to switch into an ETF class of that same fund without having to incur transaction costs in a big tax bill. So, asking about accessibility, I think that's one of the last remaining big accessibility items to address as a whole industry. And there's around 70 other investment managers who have applied for this as well, so we're all working towards that.

Reese Blair: That's fascinating. And look, I think what's coming around the corner is something that a lot of our listeners are always curious about. And Joel, you said something earlier that I'm still mulling over around that something that is new is not necessarily innovative. You didn't say it like that, but that's my remix of it. My remix of your vuja de. And so, I do want to double click on innovation our folks who listen into this podcast are always curious about what's coming on the pike, what's around the corner. And Joel, I would love to get your thoughts and take on which recent ETF innovations do you see as most transformative for investors, and why?

Joel Schneider: I love seeing all the innovation in the industry. This is a great time to be in the ETF industry, and so it's all of our jobs to sort of dig into each one and understand which one is benefiting which types of clients, so I'll highlight a couple things because this innovation can be a double-edged sword. Like it can be used for really positive things, and let me tick through a few of those. I think we've seen fees on really good active strategies come down significantly as they've entered into the ETF space. Also, I think the tax efficiency of strategies has gone up. I think that's been great for investors. If you're a long-term investor and you're not trading in and out, it makes sense to be able to pay that capital gain tax at the end when you exit your position. And then I think one of the other things is you've seen a lot of other managers, who have really long track records, be able to bring really high-quality active strategies. Now, I think on the negative side there are just a ton of strategies out there that are pretty speculative, and the beauty of the ETF wrapper is a lot of things can fit in it. So, I think what that winds up with is that an investor needs to think about is this ETF helping me achieve my goal? So, I mentioned that earlier. And I think instead of just saying that as sort of a generality, let me just give you a specific example, and I want to take derivative income ETFs. First of all, they're very popular. And their goal is that they try to produce income for people with lower volatility than just investing fully in the stock market. And so, that sounds good. Like who doesn't like income? I bet everyone listening loves income. And so, the question is, are these derivative income ETFs the best way to achieve your goal? And so, I think starting with how do they work? They usually work by using derivatives. So, they'll sell call options to generate

some income, and then they'll belong some stocks. And this does have an effect of reducing your upside. So, if the market goes up by a lot, you don't capture the whole upside, but it can kind of help you with some of the downside because you're earning some income even if the market goes down. But then, you have to think about, okay, well my return is actually a function of four things. It's what's the income I'm getting? What's the capital gain or the price appreciation on the stock, and then minus what are the expenses I'm paying and what are the taxes I'm paying? And so, when you get income from derivatives like that, it tends to be taxed as ordinary income. And so, I know that you've got a background in audit. So, geeking out on taxes is a thing that I think is something we can do. It's something people in the ETF industry are good at. And so, when you get taxed at ordinary income rates, you know that those are higher than capital gain rates. At the highest marginal bracket, paying 2x the tax doesn't sound so great. We loved income but we don't love taxes. And so, at the end of the day, when you look at the performance of those funds, they've sort of behaved like a 60/40. You know the classic 60/40 portfolio that everyone loves to talk about, that's really what they've behaved like in terms of the returns, but they've lost 35% of that return in the form of taxes, whereas a 60/40 portfolio has only lost around 17% or about half of that. And so, I appreciate you letting me go into that example, but it's only when you get into those details, you think through all the components of returns that you can start to understand, is this thing giving me the best shot of achieving the goal that I have?

Reese Blair: No, that's spot on, Joel. And look, at the end of the day, we're trying to assess how these products are ultimately serving investor needs, and so you've hit on all of that. And the point that you said and my takeaway on it, it's not how much you make an income, it's how much you keep. So, that's focused on trying to leverage these from a tax efficiency strategy play, so that's well stated and certainly something I think about. I want to pivot to maybe thinking about other things investors should be focused on outside of performance. When you're looking at maybe something like thematic ETFs, what are some of the things that investors should be thinking about when they're evaluating performance and long-term viability of different types of ETFs? Like you said, there's more ETFs and stocks out there, so how do you evaluate which ones is good for you?

Joel Schneider: Yeah, exactly, they're so many options and the thing is, you can learn from history in some of these. So, some of them are not new. So, I would always suggest to people don't just think about, "Hey, can I go look at this ETFs track record? It's what investment strategy is this ETF delivering, and then can I go look at the long-term track record of that type of investment strategy?" And so, if you think about thematic ETFs as an example, we've had thematic funds around for decades, and they are a tool in the toolkit. So, if people have a certain view that certain types of companies, some common themes that we've seen — robotics, infrastructure, AI, cybersecurity, so there have been funds that deliver those types of exposures to people. And when you look at how many of them have done well, stuck around, it's a pretty mixed bag. And I was looking at some research, they were showing that over the last five years, the thematic ETF category, only 20% of them have beaten the broad equity benchmark in the country that they're in. So, if it's a U.S. thematic, ETF for robotics or AI, you're comparing it to the Russell 3000, the broad market benchmark. So, I think it's pretty hard to beat the market by picking themes. Generally, good investment strategies have to have some consideration of what's the valuation of the thing I'm buying, what are the cash flows or profitability of the companies involved? And one of the challenges I think with thematic ETFs is that managers tend to launch them after those companies have already done well. Like you want them to launch something before it's about to do well.

Reese Blair: Call your shots, right?

Joel Schneider: Yeah, call it beforehand. So, I think the challenge is as humans, we all want to extrapolate recent performance. It's just unfortunately when you look at the empirical research, I know it's a standard disclosure in the industry that past performance is not indicative of future performance, but it's really borne out in the data, it really is. And so, I do always suggest that people think longer term than how did this do last year, the last couple years? And think, "Hey, what's the underlying investment proposition here, and why is that durable? Like why would I expect this to continue?" And then for some of them, it may be a good exposure. But the industry's full of, I think as we see more and more new launches, those who don't learn from history are doomed to repeat it. And when you look at what percentage of funds of any type, mutual funds, ETFs that have been around like in the last 10 years, 75% of the funds that used to be alive died or were merged away. It's really an eye-opening stat, and the thing that I think would concern any investor is if you wind up getting into one of those funds and then it closes, there's the potential that it could leave you with a pretty substantial tax bill that could be paying out a special dividend, returning capital to shareholders. And so, I think the innovation's great. I think there's a lot of good new strategies out there, but don't let the hype and excitement cause you to jump in without thinking through what could happen if something goes wrong.

Reese Blair: Well-stated Joel, and that stat actually made me pause and reflect because we're talking about innovation but there's probably some antiquated aspects of ETFs out there, and I'm curious maybe for you to share with our listeners what are some of the more antiquated aspects of ETFs that investors could maybe look out for and avoid any pitfalls from them because it sounds like that stat was pretty staggering around how many have gone away.

Joel Schneider: Yeah, I'd like to go back to some of the positive things I was saying earlier because I'm not trying to be a downer. I think there's been a lot of good innovation. And I think one of the things has been when the SEC passed the ETF rule in 2019, it removed a constraint from ETF managers. We talked about earlier, the ETF really works through this creation redemption mechanism, and instead of just having to have all the stocks coming in or out be pro rata slices of what you already own, that doesn't help you much. You can't readjust the portfolio by just buying and selling the exact same thing you already have. So, now all of a sudden, you remove that constraint. You allow managers to have active baskets, and so every day, there may be a security that no longer has the expected return profile that you expect. Maybe it now has lower expected returns on a go forward basis, or maybe it's something that has a highly appreciated set of tax slots. Now, you can use those baskets to get those sorts of securities rebalanced out of the fund and get new ones in. And so, what I think that has done is it's given a huge advantage to active ETFs versus Index ETFs, because that first wave of index ETFs, they're still stuck with that constraint. Every time you're putting money in an index ETF or taking money out, and that authorized participant is doing in-kind trades, they're just taking in or out a pro rata slice of all the stocks, and they're going to wait until the next quarterly rebalance to adjust what that index holds. And so, what you can end up getting with those is you get style drift. So, you can buy a small cap ETF that ends up holding 10/15% of their weight in large caps. Well, that's not what you signed up for, but you got to wait until the end of next quarter before the index will reconstitute itself, so that doesn't make sense. Now, you have this additional tool that you could just rebalance it daily, so you could have a more real time picture of the market than an index could give you. And we've had a lot of clients who have been using ... like we have a range of ETFs that people would consider passive or very much like the market where we're not doing a lot of security selection or waiting or holding market cap weights or something very close to it in securities, all the way up to ones that are pursuing significant outperformance. So, we have that whole range, and a lot of clients who have been in those index ETFs that only rebalance a couple times a year say, "Hey, I can get a higher quality exposure to the market from your ETF than I came from an index ETF." And so that active basket and the ETF rule was I think a huge innovation.

Reese Blair: Well, listen, you've now waded into some deep water, Joel,

Joel Schneider: Is it the active passive?

Reese Blair: Now, I want to talk about active versus passive. You done did it now. No, seriously, I do want to unpack some of the pros and cons of index versus active. If investors are thinking about everything, there's no such thing as a free lunch. And look, if you're going to have an active ETF, there's obviously going to be higher fees. So, want to get your thoughts on how do you think about the pros and cons of index versus active? You started to allude to it, but I want to hear a little bit more of your thoughts on that. And can active ETFs justify the higher fees versus something more passive products? Curious to get your take.

Joel Schneider: You know in the industry, you cannot be asked this question. So, even if I wasn't wading into it, you got to know it's coming. So, the way I think about it is you can't really stereotype active and passive anymore. That old dichotomy, I don't think really holds up. And what I mean by that is there's a huge spectrum in terms of let's just take fees. So, on average, do active ETFs have higher fees than passive or than indexed? Yes. But do all active ETFs have higher fees than all passive ETFs? No, they don't. In fact, I'll give you an example. We have one of our more passive, but it's not indexed, so it's considered an active ETF as those active daily baskets I talked about. It's cheaper than some of the index ETFs that's in the same asset class. So, I think you're seeing compression across the board, you're seeing that fee differential is coming down, and sometimes is gone. And so, I don't think you can just stereotype that active's always more expensive. The other thing which I'll get into here in a sec, which is index ETFs are low fee, but they're not necessarily low cost. So, if you've ever bought a house, it's not just the price you pay for it. You've got insurance, you've got mortgage, you've got repairs, you've got utilities, so that concept of total cost of ownership is what's relevant. And a lot of what goes on with index ETFs is they have low fees, but all the other implementation costs, like the trading cost of when they're all trying to go buy and sell the same stocks at the same time as everyone

else, they actually have a lot of hidden trading costs in them that make them much more expensive than people think. So, on fees, I think it's a case by case, honestly. You can't just say that index is always lower cost than active, and then same with the investment strategy. I mentioned that wave two of the industry's growth was that people were creating all sorts of what I called active indexes. So, they would take different factor strategies, and they would package them as an index. And so, those aren't just a passive market cap weight holding, they're doing things around valuation or quality or profitability or size. And so as soon as you get into that, all those indexes are doing is they're doing some form of stock selection and stock waiting. And the same's true in the fixed income side. In fact, their indexes are a little bit even more, I would say, active. So, when you really dig into it, I think that distinction between active and passive is becoming less and less. And we see that with our institutional clients, they're starting to not differentiate so much the way they used to, and we definitely see that with our advisor clients, where they might not even have an investment policy statement that requires a certain amount to be passive versus active, they've got more flexibility.

Reese Blair: I love that. The lines are getting blurred. The notion that passive can make active choices with rebalancing capacity, all that good stuff, so that's actually pretty interesting. And then you said something, but you didn't directly say it, so it's my interpretation, so keep me honest if I get this wrong. As investors, we love expediency, and so going to an expense ratio is kind of our default for how much is this going to cost me per dollar? And sometimes, what I heard you say without you saying it, is that expense ratios don't necessarily equate to the total cost of ownership. And that when you look at trading taxes, slippage, they all show up in the results of these ETFs, passive or active.

Joel Schneider: Reese the thing that I think, I mean, you love vuja de moments. Let me give you one here, which is a lot of those hidden costs that come from the way that index funds trade, they don't just come out of the returns of that index ETF, they actually come out of the returns of the index itself. Ooh, why do I say that? So, here's what happens. The way an index works is some index publisher will say, in two weeks, everyone needs to go buy these names and sell these names. And so, what happens then is you've got tens of trillions of dollars that are indexed. And so, you've got this wave of money that comes to all buy or sell the same thing at the same time. So, what happens when a huge wave of demand shows up to all buy something at the same time? It pushes the price up on average. And so, our research shows that price pressure is around 3 to 4%. So, the names that are being added or dropped to the index move relative to all the other names that are staying in the index by about 3 or 4%. And so, what happens is the index funds are buying high, which as a good investor, you're supposed to buy low, sell high – they're buying high and then the index itself adds those names at the closing price on that day at the temporarily pushed up price. So, then when you compare your ETF return versus the index, you might say they matched, there was no tracking error, but they both suffered from the performance drag of buying at those artificially bad prices.

Reese Blair: I feel like I want to squeeze more out of this rock because you've given some fantastic nuggets of wisdom, Joel, for investors or even advisors to think about when they're looking to leverage ETFs more effectively. I want to come back to it one more time. Is there anything else that you would offer up that investors or advisors should be thinking about when they want to leverage their ETFs more effectively or even take that first dive into one of those waves we talked about?

Joel Schneider: I mean, really, it goes back to, I think people oftentimes don't do the first step, which is really what is my goal? And a lot of times, people have different financial goals. So, sometimes, you've got a retirement goal, you also may have a goal about sending kids to college, you might have a goal about saving for a renovation of a house or a vacation. So, I think it makes sense to lay out those different goals. And you might have different asset allocations and different ETFs for different goals, but just reacting to ... I love all the innovation, I love all the new things coming to market, but I think it's really easy to fall into the trap of the shiny new thing. And it's like, "This seems great, I should buy it first and then figure out how to use it second." That might work for other things in our life. Like sometimes I'll buy a shirt because I think it looks cool and I don't know what I'm going to wear it with yet, but that's not really a good way to do financial planning. And so, we do always suggest to people if you can (I know everyone can't) work with a financial advisor, they pay for themselves, they are very helpful. And if you can't then just spend your time really doing your due diligence on understanding all of the aspects of how the ETF works, where does its returns come from and how are they taxed? And I wouldn't suggest looking for only the cheapest expense ratio, get something in the lowest quartile or something like that. So, the cheapest isn't always the better, but yeah, you want to be cost conscious.

Reese Blair: We're all trying to be cost conscious in this environment today, Joel. So, I think that's a fantastic note to end on, and incredible advice to give to our listeners when thinking about how to leverage ETFs.

To all of our listeners, thank you for joining our discussion today on emerging trends and ETFs and the role that they have in investment management. Whether you're deepening your existing expertise or are new to the field, our goal ultimately today was to provide you with insights that not only inform, but also empower you to act. The world of investment management is rich with opportunities for those who navigate it with informed strategies.

Joel, I want to thank you for your invaluable insights today. Your expertise has undoubtedly enriched our listeners' perspectives. And to our listeners, once again, thank you for choosing the IMpact Podcast where we aim not just to pass the time but to make every minute count by engaging with the brightest in the field like Joel.

Remember, knowledge is not power, the use of knowledge is power. Let's continue to learn and apply your insights to focus on investing in what matters. Until the next time, keep engaging, keep innovating, and of course, keep making an impact.

Thanks for joining us for today's episode. Be sure to listen to IMpact each month. You can find us on [Deloitte.com](https://deloitte.com), Apple Podcasts, Stitcher, Spotify, or wherever you get your favorite podcast. Simply search I-M-P-A-C-T. For more insights on investment management, visit the investment management page at deloitte.com. You can also connect with me on social media. Just search Reese Blair on LinkedIn. Until we meet again, keep making an impact.

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