



2026 GLOBAL CONFERENCE

LEADING IN A NEW ERA



TRUST, LEADERSHIP, AND LIFETIME FINANCIAL SECURITY

Sheryl WuDunn 00:01:11

Good morning. Thank you for coming. We are here to talk about leadership and a whole bunch of other things. But if you step back, what's really happening underneath is a pretty significant reshaping of the financial system. The lines between business models are blurring, and in some areas, they're starting to break down. Insurers are moving more deeply into private credit and complex assets, something regulators are already flagging because of the implications for liquidity and transparency. At the same time, asset managers are pushing into insurance, chasing permanent capital and long-duration liabilities while scaling up their private market platforms. And across both, there's a broad and increasingly more crowded move into private markets. Private credit alone is now \$1.5 trillion market, with projections suggesting that it could move towards \$3 trillion in the coming years. So, let's be honest about what this is. It's convergence, it's competition, and in many cases, it's a race for the control of long-duration capital. At the same time, AI is starting to influence not just how we analyze investments, but also how decisions themselves get made. Firms are already deploying AI across underwriting, portfolio construction, and client engagement. So now, layer those two things together and you have more capital flowing into less liquid assets, more complexity embedded in portfolios, and more decision-making being shaped by technology. And that leads us to a set of questions that I think are going to define this space over the next decade. So, who actually has the advantage in this system? Who is best equipped to manage long-duration capital at scale? And are we building something that truly improves outcomes for investors and customers? Or, is there something that's much more powerful that's being created that is harder to understand, harder to trust? We're very fortunate to have this amazing panel. Tim Gerend from Northwestern Mutual, who runs Northwestern Mutual, Holly MacDonald, who runs Bessemer Trust, Rudy Sahay, who runs Aquarian Holdings, and Andrew Schlossberg, who runs Invesco. Each comes with a different vantage point. So, I'm going to start off with a question about insurance, since not all of us know a lot about insurance. So, first of all, is anyone in the shipping insurance industry? Are you going to help us with the Strait of Hormuz, the boats there?

Rudy Sahay 00:03:56

We're not.

Sheryl WuDunn 00:03:57

I think, Rudy, you were in—

Rudy Sahay 00:03:58

—That's just outside of our portfolio. We're not in the shipping—

Sheryl WuDunn 00:04:01

—Rudy, you were in the shipping business at one point.

Rudy Sahay 00:04:03

Yeah. We were in the shipping business at one point. We actually had a container ship that we owned that traveled back and forth between Kuwait and Dubai, and we did not have to go through the Strait of Hormuz, which is a good thing, especially given what's going on now. But the reason we found that asset to be appropriate for our insurance company balance sheet is what we were doing was taking corporate credit exposure, and we were not taking operating risk with that asset. So, even if a situation like today were to happen, we had a ship that was triple net leased out to a credit counterparty, and we had two lines of defense. If something went wrong, we had the corporate credit to go after, or we could have taken the ship back. So, whether it operated or didn't, we were still okay, and that's the way an insurance company should be investing in a market like this, or at least that's my perspective.

Sheryl WuDunn 00:04:48

Yeah. Is anyone insuring ships now? I don't know. It seems like a really tough industry.

Rudy Sahay 00:04:53

Yeah.

Sheryl WuDunn 00:04:53

We're also in LA, and there were big fires about more than a year ago, and you guys are not in the fire insurance industry.

Rudy Sahay 00:05:02

No.

Sheryl WuDunn 00:05:02

You're in the safer areas, right?

Rudy Sahay 00:05:03

Yeah.

Sheryl WuDunn 00:05:05

Okay. So Tim, let me start with you.

Tim Gerend 00:05:05

Sure.

Sheryl WuDunn 00:05:09

You're talking about integrating insurance and wealth management to deliver lifetime financial security.

Tim Gerend 00:05:13

Yeah.

Sheryl WuDunn 00:05:14

So, how is this a better outcome for your clients, and what is, how is this different from five years ago? What is, from the point of view of the client, what is better for me now?

Tim Gerend 00:05:28

Yeah. Well, thanks. It's sure great to be with you, and appreciate the opportunity to be part of the panel. So I'm sure we're also going to get into, you talked about convergence of the relationship between asset managers and insurance companies, but I think it's really appropriate to start with, at the end of the day, what does this really mean for clients? Northwestern Mutual's been in the insurance business for almost 170 years. Mutual company, so we're owned by our policy owners, and we've been the leading provider of life and disability and long-term care insurance for a really long time. But what's changed not just in the last five years, but really in the last 20 years, which is about the time that I've been at the company, is, our advisors have been bringing insurance and investments together for their clients. And that was really driven by, I think, what drives the market, and that is what do clients need and what gives them better outcomes. And what we've seen consistently, and we've done a lot of research on this point, including some third-party research by Ernst & Young, that demonstrates that clients who have insurance, annuities, and investments together consistently get better outcomes in retirement. So, they have more retirement income, they have a higher probability of success, and they have higher legacy values, and while there are a lot of organizations that talk about comprehensive planning, the reality in the marketplace is it's very difficult to bring those together at the point of the client. And so, what our advisors have done that we think is not only unique because it's relevant to clients, but also important because it gives them the very best outcomes, is help clients start with their plan holistically and then figure out what are the right combination of risk management and wealth management strategies that give them the best outcomes. And, as a result of that, our retail wealth business has grown dramatically. So, to the extent you know Northwestern Mutual, you probably know us as an insurance company. We now have one of the largest independent broker-dealers in the country as well, with over \$400 billion in assets in our wealth business. And I think that's a proof point on the fact that our clients are better together. And maybe, one last proof point on this, and this really gets to certainly the solutions matter, but I think the role of the advisor matters a lot. We do a lot of independent research on our clients. We've been doing a planning and progress study for about 18 years, and it shows consistently that people who have an advisor feel more financially secure. And those are the kinds of things I think that we need to be delivering.

Sheryl WuDunn 00:07:46

Well, that's interesting that you say feel more. So, the question is, when you say they have better outcomes, what are you talking about? Do they have a bigger nest egg when they retire, or are their returns better than those without advisors in regards to that survey?

Tim Gerend 00:08:02

Yeah. Well, quantifiably better outcomes. So, they have higher income in retirement. They have a higher probability of success. So, if you think of Monte Carlo testing, they have a higher likelihood of being successful, and they have higher legacy. So, when you think about multigenerational financial security, they're able to leave more of their assets where they want to.

Sheryl WuDunn 00:08:21

So they basically, the advisors more than earn their keep. In other words, the clients actually will do better. Even though they're paying an advisor, their outcomes will be a lot better than if they did not have to pay the advisor.

Tim Gerend 00:08:32

Yeah, and I think we've touched on both of these things, but their financial outcomes are better, and their emotional outcomes are better, and that's I think the ultimate proof point for the value of a trusted advisor.

Sheryl WuDunn 00:08:41

Great, thank you. So, Holly, so private markets are now really part of the long-term stewardship that certainly your company offers. And they're not just generating returns, but they're also growing wealth across generations. So, are they actually improving long-term outcomes, our private markets? Because there have been some troubles in the past few years. There are not as many IPOs in the private markets. Can you talk a little bit about outcomes in the private markets for clients?

Holly MacDonald 00:09:15

Yeah, absolutely, Sheryl. Thanks for having us. There's a wide variety of outcomes, I think all the more important to work with someone who has a long experience in the markets. We've been investing in private assets for our full history of 119 years, and our private equity program is more than 40 years old. So, as the landscape has really become more complex and, as you mentioned, just a lot more capital, a lot more managers, I think it's even more important to ensure you're working with the best managers. How are you sourcing them? How are we executing deals? And for all the data and all of the information out there, trust, the first word in our panel, is really still key all along that value chain. Just picking up on something that Tim mentioned, with servicing high net worth families, we're really focused on that multigenerational wealth, and understanding the purpose of the wealth. And trust and getting to know clients and all of their desires, financial and otherwise, is really crucial to doing that, and then matching that with their investment portfolios is, I think, how you get the best outcomes.

Sheryl WuDunn 00:10:21

So, the private markets tend to be less transparent, and they're a little bit more opaque, and some people think that it's kind of like a black box. So, can you talk about the trade-off between, in the public markets, you've got this much more transparency. You can follow the ticker every day, and you can't do that with private markets. And it's also harder to get, even if you have an advisor, it's hard to get information. You're

not going to be bothering the advisor every single day. So, tell me about the trade-offs. What are the trade-offs that customers have to go through?

Holly MacDonald 00:10:54

Yeah. So I think the job of a family office, in our case, is really to provide that transparency and simplicity to a certain extent. Of course, you want to understand all of the data and have access to as much of it as you can. But in this very complex and ever-changing world, I think there is a premium on authenticity and simplicity. What is the portfolio doing? What do we want it to do? Is it meeting our objectives? And, if you're working with the best managers, I actually think you can get a decent amount of information and transparency from them if you have a trusting long-term relationship, which we do with our managers. So, we have had less of a concern on transparency. I think for the market overall, though, it is a big factor.

Sheryl WuDunn 00:11:34

Right.

Rudy Sahay 00:11:35

Do you mind if I hop in on that one?

Sheryl WuDunn 00:11:36

Yes, please.

Rudy Sahay 00:11:37

So, I think you said, and you made a comment in your question, that there's greater transparency in the public markets relative to the private markets. Let me just take the counterpoint to that for a second—which is we've seen greater issues in public accounting and public reporting, right? There's complexity associated with GAAP, IFRS, and all the other reporting standards that often make it more opaque for the common investor to understand what's going on. And so, going back to what Tim said a moment ago, having an advisor, leveraging what Holly said, where you have your own family office representative or somebody else working with you, looking at private markets, where often you have to go behind a wall, sign a nondisclosure agreement. You actually get greater information, and you get more depth and insight into the companies that you're investing into than you would with a public business. Because the trade-off you're making is perceived liquidity in a market that should be opening and functioning versus depth of knowledge. And in a world that's becoming more and more complicated, right, you alluded to AI, shifts in technology, the convergence of wealth and insurance, you need that greater information edge in order to

get to the better outcome. And so, it's a trade-off that we need to think about in the marketplace, which is what is better, liquidity or information? And from our perspective, and I think from my co-panelists' perspective, we take information over liquidity at this point.

Sheryl WuDunn 00:12:50

Well, that's very interesting because it also depends on the company, the private company that you're talking about, how much information they're actually going to share. The other issue—

Rudy Sahay 00:12:59

—But isn't that a red flag if they're not willing to share it?

Sheryl WuDunn 00:13:01

Yeah, right. Exactly. Yeah. One other question is that, compared to 10 years ago, we have fewer listed companies, and so you've got much more a richer private market, and some people think that there's greater depth because the companies are staying private for a longer amount of time. So how much does that affect sort of the risk framework? Because, in some ways, you've got a richer and broader network of private offerings. So maybe you can manage your risk a little bit better because of what's there versus what's in the public markets. If you both can speak to that. And also, Andrew—feel free to jump in.

Rudy Sahay 00:13:38

Sure. So can I just give you one data point?

Sheryl WuDunn 00:13:39

Yeah.

Rudy Sahay 00:13:40

When I was in business school, I took a class that was called “Accounting for Mergers, Acquisitions, and Complex Financial Transactions,” the only class that had a more complicated title than this panel. And so, in that class, my report or my year-end analysis was supposed to be a comparison around Enron versus what had just happened with Lehman Brothers. And these were two public companies. And what the conclusion of the report came back to was level three mark-to-model assets. So, Enron took advantage of

a mark-to-model mechanism where they could pull forward earnings, and Lehman was looking at mark-to-model assets because they were illiquid. And so, when you think about the dynamics of these two public companies that were perfectly in line and compliant with all of the requirements of what GAAP had set out, you have to think about what we're doing in the period of time between Enron, SOX happening, and then Lehman Brothers, and why we have this trend of companies going private at the same time, right? 8,000 public companies in the '70s versus under 5,000 today. And so, what are we actually incentivizing these companies to do? Because, the mechanisms that we're putting into place may or may not be mitigating risk. And so, are they moving to private markets because they're more innovative, because they want to work more flexibly, because they are more capable of navigating an ever-evolving and ever-shifting world? And are we putting artificial constraints on public companies because we want to create the sense of a mitigation of risk that doesn't really exist?

Andrew Schlossberg 00:15:07

Yeah, I think Enron was a fraud though, too. That kind of gets added—

Rudy Sahay 00:15:11

—Well, both of them were theoretically, right?

Andrew Schlossberg 00:15:13

I think one of the things that I think the previous panelists were all mentioning, it's also about asset allocation, too. And I think whether it's an individual investor in their advised portfolio, wealthy family, or a mass affluent investor, or it's an individual through a defined contribution plan, having a percentage of your portfolio in private markets, private assets, makes sense. And those assets that you have invested there with the understanding that they're going to be there as a long-term investment, I think is important, too. So, while quarterly and daily liquidity and valuations are all really relevant, I think most people that are investing in the assets have a very long-term horizon, and it's a minority of their portfolio, not the majority.

Holly MacDonald 00:15:58

If I'll just add a—

Sheryl WuDunn 00:15:59

—Please, please. Go ahead—

Holly MacDonald 00:16:00

—couple comments. So more than two-thirds of our clients are entrepreneurs, first-generation wealth creators. They've lived the American dream, which we're all here to discuss over these few days. They've taken significant risk every step of the way in creating that wealth. Our job is really to understand risk and preserve their capital while we grow it to help them meet their financial needs. So, risk is top of mind for us in every decision we make in terms of who we interact with. Do we trust them? Do we have all of the data to justify that trust? But I think that's really crucial to all investment decisions. And I would pick up on Andrew's comment that if you have the asset allocation right, that's the number one way to mitigate your risk. I think, to a certain extent, the riskiest decision can be to just invest in cash. If you're really trying to create wealth over a multi-generation time horizon, cash is going to be your worst—I guarantee you, you won't meet your financial goals if you're just fully in cash that whole time. So having a deep appreciation and understanding of risk, I think at a profound level is really crucial to meeting goals.

Tim Gerend 00:17:04

Yeah, I would just like to build on what Andrew and Holly said. I think the answer's sort of always it depends, right, on what is the goal of what you're doing with your investments. And I think right now the debate that tends to be in the papers a lot suggests, I think if you use the word private, that means risky. And it could, but not necessarily, so. And so, I think you have to be clear on your asset allocation and your investment objective. So, if you think about Northwestern Mutual, for example, just like Holly's firm, we've been invested in private markets for a really long time because it's right for our policy owners. We have very long-duration liabilities. If you think of, just as an example, in most years, the average amount of time that one of our life insurance policies has been in force when we pay the claim is over 40 years. So, we are a quintessential example of a long-term investor. We have really long-duration liability. So, Rudy was talking about illiquidity. We're getting paid for that illiquidity in the private markets that is really attractive to us, both in private credit and in private equity, and that's been true for a really long time. And you have to do it in a disciplined way, consistent with how you set up your overall, for us, we call it our strategic asset allocation, along with a lot of good risk management and governance practices. But I think it's not risky per se. It really is about for what purpose and how you're executing on it.

Sheryl WuDunn 00:18:26

Right. So, Rudy and Andrew, I want to ask you a question about convergence. We talk about convergence. We use that word a lot. But is it really convergence, or is it that each of you are getting into each other's businesses, and so it's just greater competition?

Rudy Sahay 00:18:41

Let me take that one first. So, I want to build off of what Tim said, because what he's alluding to is really asset liability management. And so, when you look at the Aquarian model as an example, we started off as

a liability issuer and a liability manager first, and then we built our asset allocation off of that to match the cash flows associated with our liabilities. And so, combine that with the fact that you have a market that is getting closer and closer together. There are fewer public companies. There are more private companies. You need to go deeper into understanding the risk that you're taking on your balance sheet because, as Tim alluded to, our balance sheet is rewarded for taking longer-term illiquid risk. So, it isn't really a convergence. It's a risk mitigation mechanism for us, where we have the responsibility of promises made and promises kept, and we have that obligation to our policyholders first and foremost, and the best way to keep those promises is to manage the risk on the asset side and make sure we understand the risk we're taking first and foremost. Asset managers who are going into the insurance side, I'll let Andrew talk about that, but there might be different motivations there relative to people who started off as insurance companies who are now going into the asset side and trying to understand that side a bit better.

Andrew Schlossberg 00:19:47

Yeah, we're a pure-play asset manager, independent company focused just on that. Insurers are an enormous part of our client set, whether they're the general account institutionally or whether they're the wealth advisors and helping create products or serve their needs. So, the conflation, I think, between insurance and asset management, it might be a little overstated in my opinion because most great insurers, including the ones sitting here, have a really great asset management business, too. And our role is to partner with that asset manager that they have internally because their whole general account is typically not managed by just their asset manager. And certainly, what they're trying to create for their policyholders or for their individual advisors also needs open architecture. So, for us, it's been the same for decades, and we just need to produce good outcomes, good returns, good risk-adjusted results, appropriate fees, and I think the rest kind of takes care of itself, would be my perspective.

Sheryl WuDunn 00:20:50

Okay. So now let's bring in AI. So, I want to talk about some of the challenges. We all know that AI is very helpful. We all probably use it in everyday life. But I want to talk about some of the risks here. So, do you worry that the system can act in certain ways that you don't expect? So, for instance, on April 25th, I don't know, some of you probably know about this, what happened. There was an AI coding agent, specifically called Cursor, running Anthropic's Claude Opus 4.6, and it deleted the entire production database and backup of PocketOS, a software company for a car rental business, in just nine seconds. The backup was also destroyed. So, this incident resulted in a 30-hour outage and was caused by this autonomous agent performing a destructive action without authorization. So, of course, the company's not going to authorize this. It was handling what should have been a routine issue, but it encountered a credential mismatch. It looked for a fix, and it found a broken API token and then autonomously executed a delete volume command, wiping out the entire production environment. So, clearly, it wasn't behaving the way it should behave. Okay. So, then this isn't hypothetical. We're talking about something that happened on April 25th. So, is this your worst-case scenario, your nightmare, when you start bringing in AI into the production environment?

Holly MacDonald 00:22:31

So, Sheryl, that your anecdote is a great illustration of how while AI is such a powerful tool, it really does not replace judgment. And so, judgment and back to trust, I expect continued advancement in AI. We're very excited about it. We were early to get the technology in the hands of all of our colleagues, knowing that the best ideas can come from anywhere in the organization, and we need to be at the forefront of this. At the same time, you need safeguards all along the way to ensure that human judgment is still part of all of your processes.

Rudy Sahay 00:23:06

So, I'll give you an anecdote. I have three wonderful children because of my wife. One of my children, my middle daughter, who's eight now, when she was two, found a Sharpie in a drawer when I was in the restroom, and she went to town on our wall, on some of our furniture, the door to the bathroom because I was away for just a little bit too long. And so, I come out of the bathroom, and I see this wonderful artwork, which is clearly priceless, and I learned a lesson, which is don't shut the door and don't leave your two to three-year-old alone with a Sharpie nearby. And so, while she's grown up to be a wonderful young person at eight years old, there are moments in time where I made mistakes, where I didn't understand the repercussions of what was going to happen, and so I needed to put guardrails in place to make sure that I was appropriately engaging with her because she was just out there trying to figure out what to do and doing the best that she could as a little person. With AI, we can't just rely on it and say, "Great, it's done," because the coding is perfect, and we have all these great brains who are doing everything, and it's going to be amazing from day one. We are going to have these instances. So, to the point that Holly made with judgment, we have to understand that there are going to be mistakes that are made over and over and over again, and it goes back to risk mitigation. We have to mitigate the risks that our businesses take and not just put blind trust into the fact that it's going to work out okay.

Sheryl WuDunn 00:24:34

Right. I don't think that the company put blind trust into the AI agent. I think it really was trying to manage it, but it did run amok, and so—

Rudy Sahay 00:24:43

—But it did something that they didn't expect, just like my daughter did something I didn't expect. So, now, we've learned from it, and it was only 30 hours of downtime. Hopefully, it won't repeat itself. But there are going to be lots of instances like this so we have to tighten those risk parameters even further.

Andrew Schlossberg 00:24:56

Yeah. All of us are sitting here, whatever our business lines are, are in the trust business. So, I think it's every day thinking about these kinds of topics, whether it's applied from advanced AI or it's cyber risk or anything else that's going to impact the way that our end clients feel about us. And I think trust in our sector is up there with maybe healthcare and maybe those two are at the top of the list. So, I think it's something I think about every day, as the CEO of Invesco, about what do I need to do to protect our reputation and ensure we don't lose trust. Because it takes a long time to earn, and it takes seconds to lose. And so, I think what we think about and what I think about all the time is how do you create not just the technological guardrails, but the culture that's trained to be the accountable human alongside technology. And we use the sort of tools that we use in other applications. Like what are the incentives we're going to create for our employees where it's not just ROI on the AI investment, but it's how are we protecting the reputation as well, and how do you create those dual incentives for people? How do you train them up so that they can be the partner to AI? How do you pick the right use cases at the right times so that you don't get into applications where it's existential to your business too soon, or maybe ever at all? So, I think there's a lot that's just normal business practices that we've built by being in trust businesses that we need to apply here. Because what you describe is, these are too big to actually look at in a macro sense. You just have to bite-size chunks and come back to culture.

Holly MacDonald 00:26:49

I have a quick stat— exactly on that. Sorry, Tim. We'll get right back to you.

Tim Gerend 00:26:52

Go right ahead.

Holly MacDonald 00:26:53

Yeah, I got a good one. It just popped in my brain. Boston Consulting Group did a study about culture, showing that companies with strong cultures, and they have ways of objectively noting the culture as strong, have a 60 percent greater chance of succeeding in innovation. So, I think your point is exactly right, Andrew, that the kind of softer cultural human elements are actually crucial to this moment of technological innovation and can actually allow us to be much more successful in innovating if we're starting from that foundation of a strong culture.

Tim Gerend 00:27:27

I would just echo these thoughts. I think the reality is this is something that all businesses are wrestling with and trying to figure out, and I think one of the pressure points here is around speed. And of course, we are all in the trust business. We feel a tremendous accountability to our five million policy owners and clients to always do the right thing. That is our corporate culture, and I think culture, people, certainly

governance, and risk management are really important. But the pressure that we're all under is I think we also appreciate AI as really a matter of competitive fitness. And you can't stick your head in the sand and say, "Oh, well, these tools might hallucinate," or "Something could go wrong." And so, I'm sure we're all aggressively looking at how are places where we can deploy in our businesses in ways that makes us better. And I don't think there's an easy path to that or a one size fits all. But I do think it's ultimately a leadership and a cultural challenge for businesses. And so, we're using it both from a back office perspective to try to get more efficient and better, and we're using it as a tool to help enable our advisors. And maybe just one point that I would add while we're on this AI topic. I've been through a number of cycles in my time at Northwestern Mutual where they've said, "Hey, X, Y, and Z is going to replace the financial advisor." Certainly, there was a wave of that 10 years or so ago with FinTechs. We haven't seen it in the insurance business. We really haven't seen it in the broader financial advisor business, and I think that same thing is going to be true again. I think the human trust and personal connection for advisors who are helping families or business owners make the most important financial decisions for themselves that are literally going to impact their families for generations. I think at the end of the day, they want personal accountability. They want somebody who understands their situation, has empathy, can engage with them. So, I think all of those things have to factor into sort of how and where we use it. And one of the mantras I've been using with my team is progress, not perfection. Mistakes are going to happen. This is not going to be perfect, but you want them to be contained in places where you can just move on, and that's how we're trying to approach it.

Sheryl WuDunn 00:29:28

Okay. So, let's push a little bit more on the AI because I work also in the healthcare industry a lot, and certainly AI, in many ways, is better at diagnosing sometimes from scans of whether it's radiology scans or whether it's scans of just disease that you have out sort of on your body. AI actually can be much better than human judgment. And that might be because human judgment, how many examples of a certain kind of disease do you see in your lifetime? Maybe it's few. But, in any case, there are many instances where AI has proven to be more accurate in the diagnosis. So, if you bring that into the financial sphere and with your advisors, certainly, AI at some point is going to be better at diagnosing what the outlook should be, and given a certain risk parameter, what kind of allocation a certain client should be in. So, at what point will you acknowledge that? Because you don't also want your competitor to be further ahead using AI in these contexts. So, you've got this very sort of interesting balance that you have.

Tim Gerend 00:30:50

Well, I want to come back to the better outcomes point that I started with around financial and emotional outcomes. And I think there are certainly things where AI tools will be better. Analysis, scenarios, all sorts of things like that. I'll take one issue with your premise. I don't know that AI will be better at actually understanding the circumstances of an individual client and what is unique about them. And I think, fundamentally, what we've seen and the value of an advisor is actually in helping clients take action. It's not in understanding their situation, although that certainly is part of what happens. So, you can have great analysis, but what we see over and over again in the financial world, and we actually are just getting ready to publish what we're calling the Personal Prosperity Index, with support from Ipsos, and it's really

interesting how people think about their prosperity. It's not just financial. It's mental, emotional, and physical. But what we know, and I think we see this in our own lives, we don't always do what we should do. We might know better, but we don't. That's true maybe with diet, maybe with exercise, maybe with sleep, maybe in relationships, but it's really true in finances, and particularly for some of our core products, life insurance, disability, long-term care. These might be things, even if people understand, they're not going to go do it on their own. And so, there's some gap between client understanding and client action. And what it takes for clients actually to be better off is to take action that improves their situation. And that's where I think a trusted advisor is invaluable in helping a client understand what's really the right thing to do, tap me on the shoulder and say this is okay. And I participate in a number of focus groups with our clients, and this is true whether they are young or old, wealthy or not so wealthy, financially sophisticated or not, they tend to want somebody who tells them they're doing the right thing. And so, I think can AI make those advisors better, more effective, more efficient? Can we get better advice to more people? Absolutely. That's really exciting for us so that we can do more for our clients and help people who need what we do. But I don't think at the end of the day it's going to push to the point where it really gives people the things they need to take the action that makes them more financially secure.

Sheryl WuDunn 00:33:00

Holly, so how do you think that you can best use AI so that your competition isn't actually going to be using AI and do a better job for the financial advisors to the clients?

Holly MacDonald 00:33:09

So, we're using it in really across the firm to help with analysis, to more efficiently pull and cull data. And I'll give you just two quick examples. We have an advisor virtual assistant, Ava. My image is a cute advisor named Ava who is essentially a tool for advisors to pull all of the systems that they use into more of a dashboard, better user experience for the advisors. Our goal with this is to give them time back to spend more of that energy directly with their clients. To Tim's point, there are certain things that I think technology will never do as well as humans. Defining purpose, giving meaning, driving connection. We all see that being at this conference. We could be sitting at home livestreaming it, and hello for those of you who are live streaming. No offense to all of you. Wonderful to have you here as well. But there's something that's completely different when you're able to say hello to someone and get a read on them and I'm getting fantastic ideas just by even quick conversations with people in being here. There's a true value in that. I wrote an essay for the Milken Institute on this topic. I kind of want to write it again because I have even more ideas after being here for a few days.

Tim Gerend 00:34:30

You can have a follow-up.

Holly MacDonald 00:34:33

All right. Well, let's do that. So that I think is a good example of how we're marrying these two things. So, the advisors need that tool front and center. But it's really with the goal of improving the ultimate delivery of what we can for our clients to meet their goals.

Sheryl WuDunn 00:34:50

Great. Go ahead, Andrew.

Tim Gerend 00:34:51

Why don't you go first and I'll give you an example?

Andrew Schlossberg 00:34:55

Yeah, no, just real quickly, I'll give an asset management example to your question, but just to double down on what Tim and Holly were already saying, there's not enough financial advisors today. It's one of the industries we were talking about colleges before. One of the industries I would encourage people to go into because there is a shortage and a huge need. So, I think the ability for AI and other technology to help the existing advisors we have be even better at the job and to meet the moment. I think you said empathy and people are emotional a couple of times and it's absolutely right. We work with hundreds of thousands if not probably millions of advisors around the world, and the empathy and the emotional elements are really a key. Telling people when to act and when not to act, and be somebody that's a sounding board to talk about their complete financial wellness in general. So, I think it's empowering. I don't think it's threatening, and I think it's filling a need that's more limited. In asset management, our fund managers are human too. And while we hope they're not emotional often, they have emotions as well. And so, we're using AI to kind of be a co-pilot sitting aside them and challenging them, asking questions, especially on things like sell signaling. What we've found is most of the time people get it right on coming in, but they stay too long. And we're all guilty of that, and fund managers are too. So, we're building things like that, that can help challenge them at those moments, and aid them. And then we're all using it to clear administrative stuff off so that the high-paid, high-brained humans can do what they do well, whether that's advisors or fund managers.

Sheryl WuDunn 00:36:42

Well, that's very interesting. You're developing algorithms so that will help you with the sell signals. That's something that you're trusting the AI to really go into the production of the allocation.

Andrew Schlossberg 00:36:59

All the old research and everything, it's still the human's decision. But it's somebody that's asking them the hard questions, that their colleagues have asked them as well or maybe haven't.

Sheryl WuDunn 00:37:12

So it's still going to be up to the—

Andrew Schlossberg 00:37:14

—Completely—

Sheryl WuDunn 00:37:16

— looking at that. It's not an algorithm that—

Andrew Schlossberg 00:37:18

—No.

Sheryl WuDunn 00:37:20

Okay, great. Rudy, did you want to say something?

Rudy Sahay 00:37:23

So, there's a lot of hysteria around AI and how people are going to use it and what's going to happen in the future. There's a historical example where if you go back to when the dishwasher was invented and when the washing machine and the dryer were invented, there was all this hysteria like, "What's going to happen with all this excess time? What will predominantly women do in the home?" Fast-forward a few years, and it was a massive empowering moment for women who now no longer had to be bound to the dishwasher or to washing the dishes or to cleaning their clothes, who could now go in and work. And it created a massive wave of empowerment that opened up an entire part of society that wasn't working before, and it led to a catalyst moment that changed what the world looks like as a result today. People look at AI and they say, "Oh, it's going to be so terrible because this is going to happen, that's going to happen." We should use technology for what it's meant to be. Echoing a lot of the points that my colleagues said, Zoom

was supposed to replace in-person meetings. We come out of COVID, and people are going back to meeting in person. AI is theoretically supposed to do all these bad things, but I don't think it will. What it's going to do is increase productivity for a group of people where we're dealing with the baby boomers. We have a population hourglass where you have boomers that are a very large portion of the population, who are aging out of working. They're handing it off to the millennials and the Gen Xers, who are a smaller part of the population. We need to see productivity gains. That's a point you just made about financial advisors. We need to see productivity gains in order to offset wage inflation. Otherwise, we're going to have even more significant inflation in the future. So, I think we should all embrace AI with the right risk parameters to help level up and improve the productivity of a smaller population so that we're better equipped to handle the needs of a very large population ahead of us and an even bigger one that's coming behind with Gen Z.

Sheryl WuDunn 00:39:12

So, Andrew—did you want to say something?

Tim Gerend 00:39:14

Well, I was still stuck on something that you said earlier around are we worried about sort of losing out to the competition. And I don't want to speak for my panelists on this, but I think this is an abundance opportunity for us, not a scarcity opportunity. There's a \$12 trillion protection gap in America. People haven't saved enough for retirement. The government is not going to be in a financial situation to be able to help everyone. And so, we have a massive need in America, and we know financial anxiety is an epidemic. I referred to some of our research earlier, and when people are financially anxious, it hurts them in all areas of their life. And there's so much good that we can do for people in our industry, and there aren't enough advisors. Our companies are not reaching enough. And so, I think when we think about convergence, we have more opportunities to partner and collaborate. When I think about AI, we have the opportunity to help more people on a deeper level. And so, I'm not thinking about it quite through that competitive lens. I'm thinking like we all have an opportunity to be better, to help provide more lifetime financial security for people. And I don't think there's just one winning company or one winning model. There's plenty for all of us to do.

Sheryl WuDunn 00:40:27

That's great. So actually, I want to pick up on this point that you and Andrew raised, so about the shrinking number of financial advisors. So, first of all, is that a demographic trend just because we have a smaller cohort of kids graduating from college? Or is it something structural, and is it that people may think that, "Oh, AI's going to really take over that industry. I don't want to go into it"? Why do you think this is the case? What's going on there?

Andrew Schlossberg 00:40:51

Yeah. I'll let Tim actually answer that part about the shrinking bit, but maybe I can start with the part about the demand side. I actually think, and this is a trend around the world, I actually think the wind is at the back of the individual saver because they've historically not all been the greatest savers, but they've been savers. What they're not great at is being long-term investors. And if you think about—what governments, and I rarely will say governments are behind us and have the wind at our back. But if you think about the governments doing here in the United States with Trump Accounts, which are accounts for babies—all babies to start their investing at zero age, or whether it's the IRAs that just came out for all of the non-employee sponsored people that don't have IRAs and those getting funded, or its NISA program in Japan, which is encouraging these great savers in Japan to become long-term investors and be in capital markets. There's Mansion House Accords in the UK that are saying private markets needs to be in retirement schemes. So, there's all these government programs that have shifted from being social safety nets to encouraging people to be early savers, but more importantly, early long-term investors. And the tools have never been better. If you really think about it, as an individual investor, you can invest now in active and passive. You can invest in public and private. There's going to be tokenization at some point. Access is going to be better. But what all this needs is somebody to help you bring this together and give you advice. And so, I think the need's just going to get greater and greater and you should pick up on the shortage part. But I think it's never been better to be an individual investor right now with all of these things that are in front of them.

Tim Gerend 00:42:38

Well, I appreciate Andrew giving people great career advice to look at the financial advisor career. It's an unbelievable opportunity. So first, just the facts. McKinsey came out with a study relatively recently that said there will be a shortage of 100,000 financial advisors in the next decade. So, is it a demographic thing? Yes. We have an aging population of advisors, and we have a growing market need of people who are looking for advice. And I think there are a variety of reasons why, as an industry, we haven't replicated and grown the number of advisors. First of all, it's expensive. You have to train people and hire—Yeah, hire them, train them, develop them, mentor them, support them. And increasingly, we've seen companies walking away from what have been historically career distribution or captive field forces, and there's sort of a lot of trading back and forth of experienced advisors. There's not as much industry investment in growing new people. I think we also suffer from some perception problems. As people think about what financial advisors do, there's not a great understanding what the career really is. I don't think people appreciate what an unbelievable business owner opportunity it is. And it's not just a career for helping rich people who have a lot of money. There are so many different ways that people can serve in this profession, including now with the proliferation of larger and larger teams. And so, we're investing a lot in Northwestern Mutual. We always have. It's really the lifeblood of our organization is continuing to onboard, attract, develop new advisors to keep growing. We're just not doing enough of it as an industry, but I think it's a massive opportunity. And I hope that that's a place where we're going to continue to see more growth because the marketplace needs it.

Andrew Schlossberg 00:44:18

Yeah. I thought Holly's comment before was awesome about talking about financial wellness. And I think when you broaden—out the pie to actually think about it as wellness as opposed to just financial security, which I think I've seen surveys that say the three things most people—least like to talk about are planning their death, their money, and I think the dentist is up there too. So, I think wellness is much more approachable.

Sheryl WuDunn 00:44:43

So, I welcome questions from the audience, so please do send in your questions. I actually want to ask you now about—So tell me how you think the Robinhoods of the industry are actually changing the industry, and how do you react to that?

Holly MacDonald 00:45:03

I think there's, to a certain extent, just the amount of capital, particularly short-term capital that has come into the market, has exacerbated some of the volatility that we're seeing. I think from an investment lens, particularly this year, if you look at kind of the shifting narrative around AI, certainly you have the large hyperscalers, who are doing massive CapEx. I think the total is now up about \$800 billion. It keeps increasing. Probably get to a trillion before the year is over. And then the questions about disruption to other parts of the market, such as software, is creating—While the market itself has been relatively calm year to date, if you consider all the broader geopolitical challenges, the specific name vol of stocks has been quite high, and even sector to sector. I think partially this is exacerbated by increased retail flows that have a shorter-term mindset than often larger institutional players. While that can be frustrating as an active investor day to day, it ultimately does give us great opportunities to lean into these longer-term trends that I think will really pay off. And just tying back to the other topics we've been discussing, for our clients, it's about that long-term compounding of capital. So, when you see the market fluctuating and a very good quality name like a Microsoft or a Google, where we have exposure selling off significantly with the fear that they'll be completely replaced by AI somehow, even though they're actually utilizing AI pretty effectively, that's an opportunity for us to actually lean in to get that longer-term exposure.

Sheryl WuDunn 00:46:47

Right.

Rudy Sahay 00:46:48

I think in a market like this, patience will be rewarded because to the point that Holly made, volatility is going to just increase, and we're seeing more and more vol in the market. So, if you're up 10 and then you're down 10, you're actually down 1 percent, right? So, 100 goes to 110 minus 11, you're at 99. And, if you have the ability to be patient and ride through that and think about investing for the long term, which

is what our business does at Aquarian, right, we have a duration of about 10 years for our liabilities. You actually get rewarded because every day you get one foot in front of the other and you keep eking out a return. That's going to pay off much better in the long term because given the vol and the exposure to the public markets, a lot of these other asset classes that are now becoming open to the public markets You can win-win-win, and then all of a sudden, the sentiment just moves against you and you're down 30, 40 percent. And if you need liquidity in that moment, you have to take that loss. Versus if you plan your strategic asset allocation appropriately, these changes, these innovations will work their way through, but they won't impact you because you'll know that you have a portion that can take that risk and that loss, you'll have a portion that's in annuities or insurance, and a portion that's just your current income.

Sheryl WuDunn 00:47:55

Well, I understand the benefits of the long-term outlook, but on the other hand, if you look at Robinhood, what it has done is it brought people into the industry. They've, like—a lot of young, especially young people—who probably would never even thought about investing. And now they're actually excited about it.

Tim Gerend 00:48:11

Yeah. Well, I would say two things. First of all, just agree with your point that access, opportunity, broadening people's ownership and investment, early saving, to Andrew's point before, those are really important. Younger investors have a really long time horizon. I'll tell you what I worry about, and we see this in our research, too. This was really prominent actually in this year's version of our planning and progress study. Gen Z, we see an increased incidence of looking to high-risk or speculative vehicles. Prediction markets—online gambling, crypto. And for those people in Gen Z who are doing that, 80 percent of them are doing it because they feel like they're behind, and that's how they're going to catch up. These are not proven financial strategies, and we know, and we really see this in our clients because most of our clients start with us when they're young, when they don't have a lot of assets. They maybe have income and some protection needs. If you do small things right over and over again for a really long time, you can put yourself in a really good position, but a lot of what I'm seeing in younger generation doesn't reflect really sound strategies that are going to pay off over time. So, access is a good thing—but I think in the absence of advice and guidance and support, it's going to be harder for people to really get where they want to go. And so that I think is something to be concerned about.

Sheryl WuDunn 00:49:33

Yeah. Go ahead, Andrew.

Andrew Schlossberg 00:49:34

Maybe if I could just add to that real quick, that I think the technology tools that are being developed today, especially for the youngest generations, are fantastic. And if you're not on them, get on them and see what's happening. So, while they create the access, I think to Tim's point, I even go back to the COVID period and it was all gamification. Remember the meme stocks? Yeah. We forgot about that. It's some version of the same thing as getting conflated into gambling markets, and I think one thing we all also know is if you have a really bad experience at the beginning of your investing journey, you're probably not coming back, and you're probably going to be highly skeptical. So, I think this is an industry issue we need to all really lean into. It's why I was saying earlier I love these baby accounts because they're going to be invested in a broad market from when they're zero. When they're 18, they're going to all of a sudden see they have hundreds of thousands of dollars, and it wasn't overnight, it was all the basics of investing. So, I think we have to embrace the technology but really supplement it.

Holly MacDonald 00:50:33

We really double down on education of our clients at earlier and earlier ages. You don't have to necessarily, as a first-generation wealth creator, reveal your entire net worth or your entire plan to a young child, of course, but there are ways of engaging young people. Philanthropy is a great lens. You can talk a lot about investing and philanthropy and purpose and what the purpose of the wealth is, even with very young children, and start to get into that mindset that try to orient towards the long-term mindset away from the gamification trends.

Sheryl WuDunn 00:51:09

Right. Okay, so we have a question from the audience. Thank you. As private capital and insurance balance sheets converge, what's the trust question you think the industry hasn't fully answered yet for end-clients?

Holly MacDonald 00:51:21

Understanding alignment. I think it's really crucial. Obviously, it's always crucial. Thankfully, it's not something I have to worry about for our own business. Our owners are our largest client, and we're completely aligned with all of our clients and our employees. But as we look at various managers out there where we're looking to partner and make investments, in this complex landscape, that's kind of the first and most important question before we make an investment.

Rudy Sahay 00:51:51

I agree with that 100 percent. The management team at Aquarian is the largest shareholder in its business, and the management team that's making the decision on behalf of its clients is putting their money at the very bottom of the stack. So, all of our investors know that every single decision that we're making, we're

sitting in a first loss position, and we're putting our money where our mouth is, and we're perfectly aligned with our clients as well.

Tim Gerend 00:52:15

Well, I think the trust issue from the insurance perspective is policy owner first. And as a mutual company, very easy thing for us to say our business is owned by our policy owners. We talk about it all the time from top level of the company to our frontline employees, is what we're doing in the best interest of our policy owner. And there are all kinds of different arrangements today between asset managers and insurance companies. It's been a really good, I think, economic flywheel, but I think at the end of the day, we want to make sure that these businesses are operating in a way that—the point of the panel is trust. Rudy mentioned this earlier. We have to make promises and keep promises, and we have to operate in a way that give the policy owners confidence that their interests are always going to be protected.

Sheryl WuDunn 00:52:59

Okay, another question from the audience. Thank you again. How are you seeing the expectations of next-generation clients evolve, and how is that influencing how firms show up for families today?

Tim Gerend 00:53:11

Well, I would just say quickly, we have a lot of younger clients. Average age of our new advisors, 31. Average age of our new clients, about 31. So, there's no coincidence there. I think the two things, just to be quick on this one, are people are looking for advisors like them, so I think we have to continue to bring people with more diverse backgrounds into the business so that financial security is accessible for more. And we have to be more tech-savvy. Youngest generation of consumers expect their advisors now even to be AI-enabled, and so I think really thinking about it through the lens of client experience, both technology and advice are important.

Sheryl WuDunn 00:53:48

Anyone else?

Holly MacDonald 00:53:50

Say engagement high, transparency at an extra premium on that, and a real willingness to discuss the purpose of the wealth. That's something I keep coming back to, but I think it's really crucial. And to the extent that the portfolio needs to adapt to reflect that purpose of that wealth, I think is a theme that we're seeing, particularly with some of the newer, younger clients.

Sheryl WuDunn 00:54:15

Okay. You talk about the portfolio. So given the near-term volatility, how has your investment thesis changed in looking abroad for investment, and do you believe you'll go back to a past allocation?

Holly MacDonald 00:54:26

So, we have a relatively optimistic outlook for the year. We're overweight equities. In the past couple of years, we had seen some good opportunities overseas, and so had increased our non-US holdings, but we still have an overweight to the US. I think particularly being at this conference and just hearing about how far ahead the US really is in a lot of these technological arms races, it's still a very exciting place to invest. So, there's obviously a lot of macro volatility, but I think in looking through that, earnings have been extremely strong and very consistent. We were out of consensus a couple of years ago in saying that the US would avoid recession. We continue to believe that it will avoid recession, and that it's a strong enough growth backdrop to find those really exciting ideas that will compound wealth over a longer-term time horizon.

Andrew Schlossberg 00:55:17

Yeah, US market cap, I think, is 70 percent of the world's market cap. It's 25 percent of the world's GDP and 3 percent of the population, which tells you how well American companies have done and how much of a lead they have. But they're valued that way, too. And while we still see upside in US, we're finding more and more investors, our clients are reallocating outside the US. Not because they don't like the US, but because of that 70 percent piece. And even inside that 70 percent piece, 10 growth equities in the public markets have led the way. We know all those things, and so we're increasingly seeing investors and allocations not just to global, but emerging markets as well. So, I think that'll continue to pick up. The macro factors are a little challenging right now.

Sheryl WuDunn 00:56:06

Well, yeah, I was just going to say, with the war and that affecting a lot of emerging markets, how is that doing?

Andrew Schlossberg 00:56:14

Emerging markets have done actually pretty well. If you look at the last little couple of weeks, maybe different, but have done pretty well the last 12 to 18 months for some of the reasons that I mentioned before.

Sheryl WuDunn 00:56:24

Right. Okay.

Andrew Schlossberg 00:56:24

Be very active in emerging markets, though. I think this notion of being passive to emerging, both on the allocation and on the individual security selection, I think is pretty tricky.

Sheryl WuDunn 00:56:34

And is this mostly in Asia?

Andrew Schlossberg 00:56:35

Big in Asia, but also in South America as well.

Sheryl WuDunn 00:56:40

Interesting. Okay, another question. I think we probably have room for two—one or two. So given all the recent negativity surrounding private credit, so there is some negative sentiment around private credit. Do life insurance companies and their associated portfolios continue to be attractive for asset managers with a focus on private credit? And what should we expect from the insurance regulators in response to such negativity?

Rudy Sahay 00:57:07

Okay. I'll take that one first—As I said to you, our management team is fundamentally aligned with the well-being of our policyholders. We know that we're in a regulated business. We are perfectly comfortable with that, and we support what the regulators are doing. We have the exact same mission, which is to take care of the policyholders first and foremost. There are other participants who have come into the market, perhaps with different motivations, who may think that there is an opportunity because they saw a large pot of gold. Those who start off as asset managers and then come into the insurance business to put their strategy into it, it's like a hammer that looks down at a nail, a screw, and a bolt right next to each other on a piece of wood. And you hit the nail on the head, it goes in perfectly. You bang the screw into the piece of wood, it shatters the wood, and same thing with the bolt. So, you have to understand the market you're in. The regulators fundamentally understand it. The strong insurance companies with the right management

teams understand it and will lean into regulation. And those that don't understand what's going on in the market, who are coming in as opportunists, will be gone quicker than we can imagine.

Tim Gerend 00:58:19

Yeah. The two things that I would add, just building on what Rudy said, is, as I mentioned earlier, private equity and private credit continue to be really attractive for us as a general account investor. We're a total return investor, long time horizon. But I do think in this market, there's so much competition, especially for origination, that deal underwriting is really important. So, I think your underwriting and your discipline about how you execute on that is really important. And then from a regulator perspective, we've been really supportive through the ACLI and the National Association of Insurance Commissioners, very supportive of making sure that we've got rigorous standards. At the end of the day, we need the consuming public to trust insurance companies, and insurance companies need to be a source of stability and liquidity in the market. And so, whether that's transparency or capital standards, we're actively partnering with the regulators to make sure that the standards are appropriate, even as some of the financial vehicles and relationships get more complex. And so it's an ongoing journey, but we are confident in the regulatory environment and continue to be an active supporter of it.

Rudy Sahay 00:59:20

Just one comment before I kick it over to Andrew. What Tim's saying is effectively this is a credit picker's market, and if you have the right long-duration capital to go into the private markets, it's an opportunity for you to extract significant amounts of value because everyone else has gotten scared by the volatility. But given your 40-year duration, our 10-year duration, we can actually step in and provide meaningful value to our policyholders if we have the right credit analysis behind our decisions.

Sheryl WuDunn 00:59:44

Andrew?

Andrew Schlossberg 00:59:45

It's okay. Go ahead.

Sheryl WuDunn 00:59:46

Okay. So, we have just about a minute left, and I just want to go through each of you to give one takeaway from this discussion about trust and your business. So please, starting with you, Tim.

Tim Gerend 01:00:00

Well, takeaway for trust is, I think that's ultimately obviously what our consuming public needs from us, and I think increasing trust to us is going to be really important as you look at all of the things that are happening. We've talked about AI, private credit, and the like. Because if we're going to close that protection gap and we're going to help people be more ready for retirement, they've got to trust the industry. So I think we've got to keep—

Holly MacDonald 01:00:22

—So the best parts of our humanity and the best opportunities in technology can be mutually reinforcing.

Rudy Sahay 01:00:32

Trust is built second by second, day by day, breath by breath, and lost in an instant. So, we have to think about risk mitigation and management because we are sitting in a position of financial stewardship and leadership where we have taken a lot of trust, and we need to make sure we reciprocate it back to our policyholders.

Sheryl WuDunn 01:00:48

Andrew, you have the last word.

Andrew Schlossberg 01:00:49

We didn't talk a lot about leadership, but the humans are still in charge. And I think—we need to take that responsibility really seriously.

Sheryl WuDunn 01:01:57

Great. Well, thank you very much. Let's have a round of applause for our panelists. Thank you for coming.

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