Consumer Federation of America

# Appendix to CFA Comment on Reexamination of DOL Fiduciary Rule

**Re: RIN 1210-AB79, Fiduciary Rule Examination**

# Appendix A – CFA “Financial Advisor or Salesperson?” Report and Appendix on Advertising Practices of Brokerage & Insurance Firms

# Financial Advisor or Investment Salesperson?

**Brokers and Insurers Want to Have it Both Ways**

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## Executive Summary

When is a "financial advisor" really an advisor and when is she just a salesperson? The answer to that question has important implications for millions of Americans who turn to financial professionals to help them navigate often complex decisions regarding how best to invest for long-term goals, including retirement. After all, people expect salespeople to look out for their own interests and maximize profits, but advisors are expected to meet a higher standard. They are expected to put their clients' interests first, a requirement that is known as a fiduciary duty.

It turns out, however, that how certain "financial advisors"[1] answer that question varies greatly depending on the context. These are the transaction-based financial professionals typically employed by broker-dealers and insurance companies. When they are marketing their services to the investing public and enticing clients into handing over their hard-earned savings, these sales-based financial professionals present themselves as "trusted advisors" whose only concern is their clients' best interest. But try to hold them legally accountable for meeting that standard, and those same "advisors" quickly change their tune. Because they are salespeople who are "merely selling" investment products, they claim, no fiduciary standard ought to apply.

Investors who unknowingly rely on biased salespeople as if they were trusted advisors can suffer real financial harm as a result. It is estimated, for example, that retirement savers lose $17 billion a year or more as the result of the excess costs associated just with conflicted retirement advice.[2] The cost on an individual basis, in the form of lost retirement savings, can amount to tens or even hundreds of thousands of dollars over a lifetime of investing, money that retirees struggling to make ends meet can ill afford to do without. In addition to paying higher costs, investors who rely on biased sales recommendations as if it were unbiased advice can end up facing unnecessary risks or receiving substandard returns as a result of incentives that pervade the compensation system for sales-based advisors. Cumulatively, these industry practices drain tens of billions of dollars every year out of retirement savers' pockets and into the pockets of financial institutions and their financial professionals.

The dichotomy between financial firms' marketing claims and their legal arguments was previously described in research from the Public Investors Arbitration Bar Association (PIABA). That study contrasted the way major brokerage firms describe themselves in advertising campaigns with the arguments they mount when defending against customer claims in arbitration.[3] Based on its analysis, PIABA concluded that a fiduciary standard should be adopted

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[1] The term financial advisor has no legal definition. In this report, we use the title, financial advisor, as it is commonly used in practice – to refer to sales reps of broker-dealers and insurance agents. Financial advisors are not to be confused with investment advisers, which is a legally defined term that refers to individuals who render advice about securities for a fee. Investment advisers are held to a fiduciary standard under state and federal securities laws.

[2] White House Council of Economic Advisers, "The Effects Of Conflicted Investment Advice On Retirement Savings," Feb. 2015, https://www.whitehouse.gov/sites/default/files/docs/cea_coi_report_final.pdf.

[3] Joseph C. Peiffer and Christine Lazaro, *Major Investor Losses Due to Conflicted Advice: Brokerage Industry Advertising Creates the Illusion of a Fiduciary Duty*, Public Investors Arbitration Bar Association, March 25, 2015, https://piaba.org/piaba-newsroom/report-major-investor-losses-due-conflicted-advice-brokerage-industry-advertising-cre

to protect investors from the harmful impact of conflicted advice.

Since the PIABA study was released, the Department of Labor (DOL) has finalized a rule that requires all financial professionals to act as fiduciaries when providing investment advice to retirement savers. At the center of the rule is an obligation to offer recommendations in the best interests of the customer, without regard to their own financial interests. Having fought to prevent the rule from being adopted, the major broker-dealer and insurance trade associations have challenged the DOL rule in court, arguing in part that the DOL exceeded its authority by applying a fiduciary standard to conduct that was not advisory in nature.

Building on the earlier PIABA study, we sought to test this legal argument against the actual practices of the trade associations' member firms. To do so, this white paper compares how major broker-dealer and insurance firms present themselves and their services on their websites and how they describe those same services in their legal challenge to the DOL rule. Based on a detailed review of company websites for 25 brokerage and insurance firms – all of which are members of the trade associations that have challenged the DOL rule – we found that these firms have adopted all the hallmarks of fiduciary advisors:

- They routinely refer to their financial professionals not as sales representatives or agents but as "financial advisors" and indicate that they have a level of expertise that can and should be relied upon by their less sophisticated clients. In our in-depth review of company websites, we did not find one firm that referred to its financial professionals as salespeople.

- They typically describe their services as providing investment "advice" and retirement "planning," not simply product sales. Our review of company websites did not identify any prominent description of their services as arm's length investment sales recommendations.

- And they market those services with messages whose clear intent is to convince retirement savers that they should trust that their advisor will be looking out for their best interests. In so doing, firms encourage reliance on their expertise and recommendations.

In short, in their eagerness to attract clients and increase sales, these brokers and insurers do everything they can to create the reasonable belief and expectation on the part of investors that they are providing fiduciary investment advice rather than non-fiduciary investment sales.

This stands in sharp contrast to how financial trade associations have presented their business practices in legal filings challenging the DOL rule. In such filings, the U.S. Chamber of Commerce and several of its Texas affiliates, the Securities Industry and Financial Markets Association (SIFMA), the Financial Services Institute (FSI), the Financial Services Roundtable (FSR), the Insured Retirement Institute (IRI), the American Council of Life Insurers (ACLI), and the National Association of Insurance and Financial Advisors (NAIFA) have claimed, for example, that broker-dealer reps and insurance agents are not true advisors because they do not actually provide unbiased advice and are not engaged in relationships of trust and confidence with their clients. Instead, they claimed that broker-dealer reps are just "salespeople" engaging in activity "whose essence is sales" that is no different from other commercial sales relationships in which "both parties understand that they are acting at arms' length." They therefore claim that it is more appropriate that they be held to a sales-based "suitability" standard rather than an advice-based fiduciary standard.

The difference in the two standards – the best interest standard firms strongly suggest that they meet when marketing their services and the suitability standard they argue should apply – is significant. The suitability standard that governs securities and insurance recommendations allows "financial advisors" to recommend investments that are more profitable for them, rather than those that are the best option for their customers, as long as those recommendations are generally suitable for the investor. In short, they can legally recommend the worst of the many possible suitable investments, rather than the one that is best for the customer. Moreover, as noted above, firms often pay higher compensation or offer other incentives to encourage their sales reps to recommend investments that are most beneficial for the firm.

Investors want and need advice that promotes their best interests, as multiple public opinion surveys have clearly shown. The DOL rule requires financial firms to conduct themselves like the advisors they have long claimed to be. When it goes into effect, investors will finally be legally entitled to receive the best interest advice they have been led by industry's marketing practices to expect. And the billions they currently lose to conflicted advice will remain in the pockets of working families and retirees.

## I. Sales-based financial professionals use a variety of tactics to portray themselves as trusted advisors.

When the leading financial trade associations took to the courts to challenge the Department of Labor's conflict of interest rules,[4] they based their claim in part on the argument that DOL had inappropriately extended the fiduciary standard to "activities that have never been understood to entail fiduciary duties, such as recommending the purchase of an investment product."[5] A fiduciary duty "only applies where a heightened relationship of trust and confidence exists," they argue.[6] As such, it should not apply to brokers and insurance agents, they claim, because they are salespeople engaged in activity that "involve[s] nothing more than suggesting and selling a financial product" to a retirement saver.[7] But industry's claims to be mere salespeople selling products are out of sync with million-dollar marketing campaigns designed to

[4] In early June 2016, the U.S. Chamber of Commerce and several of its Texas affiliates, as well as four financial industry trade associations – the Securities Industry and Financial Markets Association (SIFMA), the Financial Services Institute (FSI), the Financial Services Roundtable (FSR), and the Insured Retirement Institute (IRI) – filed a lawsuit in the United States District Court for the Northern District of Texas. Civil Action No. 16-cv-1476. The American Council of Life Insurers (ACLI), the National Association of Insurance and Financial Advisors (NAIFA) and several of NAIFA's Texas affiliates also filed suit in the United States District Court for the Northern District of Texas. Civil Action No. 1:16-cv-1530. These two cases were later consolidated with another suit brought by the Indexed Annuity Leadership Council. 3:16-cv-1537-N.

[5] Compl., Chamber, et al. v. Thomas E. Perez, Secretary of Labor and U.S. Department of Labor, at 4.

[6] *Id*. at 22.

[7] Memorandum in Support of Summary Judgment, Chamber, et al. v. Thomas E. Perez, Secretary of Labor and U.S. Department of Labor, at 20.

send precisely the opposite message.

In order to test the trade association's legal arguments against their members' actual business practices, we conducted an in-depth review of the company websites of 25 broker-dealer and insurance companies. All the companies whose websites we reviewed are members of SIFMA or ACLI, two of the trade associations challenging the DOL rule in court. All engage in conduct that is designed to create the reasonable expectation in the minds of their customers that they are receiving expert, best interest advice from a trusted financial professional. The following report details the tactics companies use to promote precisely the sort of relationship of "trust and confidence" that demands a fiduciary standard.

### A. Use of titles that convey the impression that they are providing expert investment advice

While financial industry lobbyists argue in court that the brokers and insurance agents whose interests they represent are "merely selling a product,"[8] a review of firms' websites contradicts this claim. Not once did we find on these firms' websites any prominent reference that labeled their representatives and agents as salespeople. Instead, they adopted titles for their financial professionals that explicitly and implicitly identify them as advisors.

- The title most commonly adopted by financial firms for their financial professionals appears to be "Financial Advisor." Firms that use this title or a variation thereof include: Janney Montgomery Scott,[9] D.A. Davidson,[10] Stifel,[11] Wells Fargo Advisors,[12] HD Vest,[13] Baird,[14] Raymond James,[15] Ameriprise,[16] Edward Jones,[17] BB&T Scott and

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[8] *Id*. at 17.
[9] *See* JANNEY, Private Client Group Opportunities, http://www.janney.com/about-janney/careers-at-janney/private-client-group (last visited August 21, 2016) [Appendix 1].
[10] *See* D.A. DAVIDSON, https://dadavidson.com/ (last visited August 24, 2016) [Appendix 2].
[11] *See* STIFEL, Find a Financial Advisor, http://www.stifel.com/fa (last visited August 24, 2016) [Appendix 3].
[12] *See* WELLS FARGO ADVISORS, Meet with an Advisor, https://www.wellsfargoadvisors.com/services/financial-advisor.htm (last visited August 24, 2016) [Appendix 4].
[13] *See* HD VEST, https://www.hdvest.com/ (last visited August 24, 2016) [Appendix 5].
[14] *See* BAIRD, Find a Financial Advisor, http://www.locatebaird.com/ (last visited August 24, 2016) [Appendix 6].
[15] *See* RAYMOND JAMES, Find an Advisor (USA), http://www.raymondjames.com/office_locator.htm (last visited August 24, 2016) [Appendix 7].
[16] *See* AMERIPRISE FINANCIAL, Working with an Ameriprise financial advisor, https://www.ameriprise.com/financial-planning/working-with-financial-advisor/ (last visited August 24, 2016) [Appendix 8].
[17] *See* EDWARD JONES, Find a Financial Advisor, https://www.edwardjones.com/find-financial-advisor.html (last visited August 24, 2016) [Appendix 9].

Stringfellow,[18] Chase,[19] UBS,[20] Morgan Stanley,[21] Signator Investors (John Hancock Financial Network),[22] Lincoln Financial,[23] and VALIC.[24]

- Indeed, one of the industry plaintiffs suing the DOL is the National Association of Insurance and Financial Advisors. This would be a questionable choice of names for the organization if its member firms truly functioned solely as salespeople, as the lawsuit claims.
- While "financial advisor" appears to be the title most commonly used by sales-based professionals, other firms have adopted variations that create a similar impression. For example, Schwab,[25] Stephens,[26] and Hilliard Lyons[27] all use the title "Financial Consultant." Hilliard Lyons also uses the title "Chartered Wealth Advisor."[28] Voya uses the title "Retirement Consultant,"[29] USAA uses the title "Wealth Manager,"[30] and Prudential uses the title "Retirement Counselor."[31]

What all of these titles have in common is that they are designed to create the impression that advice, not product sales, is the essential service being offered. If, as industry lobbyists claim in court, these financial professionals are merely selling investment products, then the titles they use are inherently deceptive. If the titles accurately portray the function served by these financial professionals, then they clearly are engaged in services that fall well within a reasonable definition of fiduciary investment advice. Certainly, investors perceive and rely on these services as advice.

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[18] *See* BB&T SCOTT AND STRINGFELLOW, http://www.bbtscottstringfellow.com/ (last visited August 24, 2016) [Appendix 10].

[19] *See* CHASE, Our financial advisors, https://www.chase.com/investments/financial-advisor (last visited August 24, 2016) [Appendix 11].

[20] *See* UBS, Find a Financial Advisor, https://www.ubs.com/us/en/wealth/find-a-financial-advisor.html (last visited August 24, 2016) [Appendix 12].

[21] *See* MORGAN STANLEY, Find a Financial Advisor, https://www.morganstanleyfa.com/locator/ (last visited August 24, 2016) [Appendix 13].

[22] *See* SIGNATORONE, Working With An Advisor, http://www.signatorone.com/working-with-an-advisor (last visited August 24, 2016) [Appendix 14].

[23] *See* Lincoln Financial Group, Work with a financial advisor, https://www.lfg.com/public/individual/planyourfinancialfuture/workwithafinancialadvisor [Appendix 15].

[24] *See* VALIC, https://www.valic.com/home_3240_422903.html (last visited August 24, 2016) [Appendix 16].

[25] *See* SCHWAB, Wealth Management, https://www.schwab.com/public/schwab/wealth_management (last visited August 24, 2016) [Appendix 17].

[26] *See* STEPHENS, Private Wealth Management, http://www.stephens.com/private-wealth-management/ (last visited August 24, 2016) [Appendix 18].

[27] *See* HILLIARD LYONS, Our Financial Consultants, http://www.hilliard.com/site/our-financial-consultants/ (last visited August 24, 2016) [Appendix 19].

[28] *See* HILLIARD LYONS, Chartered Wealth Advisors®, http://www.hilliard.com/site/our-financial-consultants/chartered-wealth-advisors.html (last visited August 24, 2016) [Appendix 19].

[29] *See* VOYA, Working with a Financial Advisor Can Help You Keep Your Goals on Track, https://www.voya.com/articles/working-financial-advisor-can-help-you-keep-your-goals-track (last visited August 21, 2016) [Appendix 20].

[30] *See* USAA, Wealth Management, https://www.usaa.com/inet/pages/investing-wealth-management-main?akredirect=true (last visited August 24, 2016) [Appendix 21].

[31] *See* PRUDENTIAL, Personal Retirement Services, http://www.prudential.com/view/page/public/13243 (last visited January 17, 2017) [Appendix 26].

B. **Promotion and descriptions of their work that convey the strong impression they are offering investment advice and retirement planning tailored to meet individual needs**

Just as firms use titles to portray their financial professionals as advisors, they describe their services as advisory in nature. A review of a number of prominent firms' websites shows broker-dealer firms and insurance companies prominently and routinely portray their services as providing expert investment advice, comprehensive financial planning, and retirement planning that is based on their clients' needs and goals and that is designed to serve their best interests. Not once did we find on any of these firms' websites any prominent reference that described their services as providing arm's length investment sales recommendations. These practices further contradict industry lobbyists' legal claims that they are "merely selling a product." The following are a few representative examples of such messaging.

**Schwab**. The homepage of the firm's website features the question: "How will you help me with my financial goals?" The answer, in big, bold font: "A Schwab Financial Consultant can help you create a plan tailored to your needs." It continues: "It starts with a conversation and a fresh perspective, discussing your long- and short-term goals. We evaluate your current investments then create specific recommendations."[32] The website describes the benefits of meeting with a financial consultant this way: "Your Financial Consultant can work with you to create a holistic plan with specific investment recommendations and a clear explanation of the benefits and risks….Your plan will reflect your priorities, from retirement income and estate planning to insurance and debt management. And you can meet regularly to keep your plan up to date as your life evolves."[33]

**Janney Montgomery Scott**. In explaining the firm's mission and history, the company website states: "Through our wealth management approach, we focus on the delivery of strategic financial plans that utilize a variety of financial products and services best suited to help individual investors and families meet their financial goals."[34] It describes the role of its Financial Advisors this way: "Janney Financial Advisors build long-term relationships with our clients and their families. They provide advice on a wide range of financial matters and use a full array of investment options to provide customized solutions to meet clients' needs."[35]

**D.A. Davidson**. The center of the D.A. Davidson homepage features the following statement: "The Strength of Advice."[36] Another page discussing how and why one should establish a relationship with a D.A. Davidson Financial Advisor includes the statement: "For

[32] SCHWAB, https://www.schwab.com/ (last visited August 21, 2016) [Appendix 17].

[33] SCHWAB, Wealth Management, https://www.schwab.com/public/schwab/wealth_management (last visited August 21, 2016) [Appendix 17].

[34] JANNEY, Our Mission and History, http://www.janney.com/about-janney/mission--history/our-mission--history (last visited August 21, 2016) [Appendix 1].

[35] JANNEY, Private Client Group Opportunities, http://www.janney.com/about-janney/careers-at-janney/private-client-group (last visited August 21, 2016) [Appendix 1].

[36] D.A. DAVIDSON, https://dadavidson.com/ (last visited August 24, 2016) [Appendix 2].

over 80 years, our advisors have offered straightforward advice, personalized solutions, and industry expertise to individuals, families, and businesses."[37]

**Wells Fargo Advisors**. The center of the Wells Fargo homepage features the statement: "Helping Clients Succeed Financially. We provide advice and guidance to help maximize all elements of your financial life, whenever and however you need it."[38] A prospective client who clicks on the "Why Invest With Us" tab will find the following statement under the "Our Advisors" heading: "A Financial Advisor can provide the advice and guidance you need to focus on your short- and long-term goals while navigating life's financial opportunities and turning points. Start planning now for the future. Choose a Financial Advisor from the firm that lives and breathes a client-centered approach to advice."[39]

**Edward Jones**. The Edward Jones website features the following statement: "Our goal is to provide advice and guidance based on your needs. We have more than 13,000 financial advisors in the U.S. – each one dedicated to doing what's right for our clients."[40]

**Ameriprise**. The website features a 44-page "Client Relationship Guide" whose stated purpose is to give clients a better understanding of the company and the services it offers. It states: "Our commitment to you: We provide personal, high-quality advice. Our approach is based on sound financial principles and a full view of your needs. We go beyond the numbers to understand your needs and provide you with clear actions you can take to help you achieve your dreams and feel more confident about the future. We tailor our advice to your personal objectives, time horizon, and risk tolerance, as well as other factors."[41]

**BB&T Scott & Stringfellow**. The following statement can be found on the firm's Retirement Planning website: "Prudent portfolio management is a cornerstone of every successful long-term plan. Your Financial Advisor will be happy to review your plan and propose planning strategies that best reflect your current financial situation in relation to your life goals."[42]

**Chase**. A prospective client who navigates to the firm's "Working With Your Financial Advisor" webpage will find the following statement: "Our Advisors focus on what YOU need."[43] As you plan for the financial goals most important to you, your Financial Advisor can provide guidance on your overall investment approach. By getting to know you and understanding all of

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[37] D.A. DAVIDSON, Wealth Management, https://dadavidson.com/WHAT-WE-DO/Wealth-Management (last visited August 24, 2016) [Appendix 2].

[38] WELLS FARGO ADVISORS, https://www.wellsfargoadvisors.com/ (last visited August 21, 2016) [Appendix 4].

[39] WELLS FARGO ADVISORS, Our Advisors, https://www.wellsfargoadvisors.com/why-wells-fargo/financial-advisor.htm (last visited August 21, 2016) [Appendix 4]

[40] EDWARD JONES, Find an Advisor, https://www.edwardjones.com/find-financial-advisor.html (last visited August 21, 2016) [Appendix 9].

[41] Ameriprise Financial Client Relationship Guide: Understanding your relationship with Ameriprise Financial and your financial advisor, at 2, https://www.ameriprise.com/content/files/AMP_401043.PDF (last visited August 21, 2016) [Appendix 8].

[42] BB&T SCOTT AND STRINGFELLOW, Retirement Planning, http://www.bbtscottstringfellow.com/planning/retirementplanning (last visited August 21, 2016) [Appendix 10].

[43] CHASE, Our Financial Advisors, https://www.chase.com/investments/financial-advisor (last visited August 21, 2016) [Appendix 11].

your financial goals and objectives, we'll work together to build a customized plan that helps meet your specific investing, retirement planning or college saving needs."[44]

**UBS**. On the firm's homepage, a rotating banner reads: "Advice. Beyond investing." A prospective client who navigates to the firm's Investing webpage will see the following statement: "Building an investment plan and an optimal asset allocation strategy to meet your unique needs requires careful consideration and often, outside expertise. Our UBS Financial Advisors are committed to helping you with this process, allowing you to spend more time on the activities you truly enjoy…UBS Financial Advisors take a holistic wealth management approach to carefully understanding your overall financial situation, unique needs and goals, and deliver an optimal investment solution to meet them."[45]

**US Bank**. The firm's "Financial Planning" webpage states: "Our advisors can help you clearly define your goals and create a strategy to help address them."[46]

**Morgan Stanley**. The firm's "Wealth Management" webpage states: "You have meaningful goals. Our Financial Advisors can help you reach them. For nearly 80 years, we have worked with individuals, families, businesses, and institutions—to deliver services and solutions that help build, preserve and manage wealth. We understand our clients' aspirations, and we're as devoted to their goals as they are."[47] The webpage further states: "The Path to Reaching Your Goals Begins with a Financial Advisor: Morgan Stanley Financial Advisors harness the firm's global resources and intellectual capital to help create a financial strategy that works for you."[48]

**Hilliard Lyons**. Prominently featured in the center of the firm's homepage is the statement: "Investment counseling to grow, protect, & manage wealth since 1854."[49]

**Voya**. The firm's website includes the following explanation: "When you choose Voya, you're choosing to work with people who care about your needs and always put them first."[50] It further states: "Our financial professionals are dedicated to providing one-on-one guidance geared toward your needs. No cookie-cutter advice – just thoughtful direction to help match your life and your goals."[51] Also available on the website is an article titled "Working with a Financial Advisor Can Help You Keep Your Goals on Track," which extolls the virtues of working with a Voya Retirement Consultant.[52] The article explains: "With a Voya retirement consultant, you know you're getting a qualified professional who is thoroughly familiar with all of our products

[44] *Id.*
[45] UBS, Wealth Management Americas, Investing, https://www.ubs.com/us/en/wealth/investing.html (last visited August 21, 2016) [Appendix 12].
[46] US BANK, Financial Planning, https://www.usbank.com/investments-wealth-management/financial-planning.html (last visited August 21, 2016) [Appendix 24].
[47] MORGAN STANLEY, Wealth Management, http://www.morganstanley.com/what-we-do/wealth-management (last visited August 21, 2016) [Appendix 13].
[48] *Id.*
[49] HILLIARD LYONS, http://www.hilliard.com/ (last visited August 21, 2016) [Appendix 19].
[50] VOYA, Why Voya, https://www.voya.com/articles/why-voya (last visited August 21, 2016) [Appendix 20].
[51] *Id.*
[52] VOYA, Working with a Financial Advisor Can Help You Keep Your Goals on Track, https://www.voya.com/articles/working-financial-advisor-can-help-you-keep-your-goals-track (last visited August 21, 2016) [Appendix 20].

and services, able to offer good advice and make sound financial decisions on your behalf. You'll build an ongoing, one-on-one relationship as your advisor gets to know you and your situation, and you can work together to tailor financial advice specifically to meet your needs."[53]

**USAA**. The firm's "Wealth Management" webpage states: "Your wealth manager can advise you on a range of issues through a comprehensive financial planning process and provide you a personalized suite of integrated solutions to address even the most complex needs — from limiting investment risks and managing a retirement income stream to long-term care and wealth transfer. Through proactive contact and regular meetings to review your plan, your wealth manager will provide tailored advice at each stage of your life and help you achieve your goals while managing the challenges so you stay on track."[54]

**Northwestern Mutual**. The Northwestern Mutual website includes the following statement on a page titled "Financial Guidance:" "Whether you're fresh out of college, well on your way to living your dream or eagerly approaching retirement, make sure you're financially prepared to achieve a lifetime of goals. We can help you reach them with a personalized financial plan. We'll apply time-tested strategies, provide expert advice and make recommendations based on your priorities. And as your circumstances and priorities change over time, we'll work with you to revise your plan so you can meet each of life's challenges head on, and celebrate your accomplishments along the way."[55] In a video on the same webpage titled "Planning for Financial Security with Northwestern Mutual," the voiceover states: "We'll work together to create a personalized financial plan that's built on a comprehensive process yet is as unique as your goals….we'll give objective advice, offer options, turn your priorities into a plan….Together, we'll review your options and implement strategies that can best help you achieve your goals."[56]

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The examples cited here were excerpted from surrounding text that further emphasizes the advisory nature of the services offered. Even where the websites acknowledged the firm's role in investment sales, nothing about the messaging suggested that the firms were "merely selling a product."

### C. Messages that encourage relationships of trust and reliance

In addition to describing their financial professionals as advisors and describing their services as advisory in nature, sales-based firms also routinely use messaging that is designed to foster a relationship of trust and reliance. In our review of firms' websites, we found that these broker-dealer firms and insurance companies prominently and routinely advertise that they foster trusted relationships with their clients in which they serve their clients' best interests. In so doing, firms encourage reliance on their expertise and recommendations. The following are a few representative examples of such messaging.

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[53] *Id.*
[54] USAA, Wealth Management, https://www.usaa.com/inet/pages/investing-wealth-management-main?akredirect=true (last visited August 21, 2016) [Appendix 21].
[55] NORTHWESTERN MUTUAL, Financial Guidance, https://www.northwesternmutual.com/financial-guidance (last visited August 21, 2016) [Appendix 22].
[56] *Id.*

**Schwab**. On the webpage where potential clients go to find a Schwab branch location in their area, the most prominent language reads: "A relationship you can trust, close to home."[57]

**Janney Montgomery Scott**. The first sentence in the "About Us" section on the firm's homepage states: "Putting clients first is ingrained in the way we do business."[58] The company's "Mission and History" webpage further states: "Decisions are always made with our clients' best interests in mind."[59]

**D.A. Davidson**. When visited on August 21, 2016, the website featured an "About Us" section stating in boldface capital letters: "CLIENTS COME FIRST."[60] The firm also published on its website a pamphlet explaining D.A. Davidson clients' various rights and responsibilities, in which the opening paragraph stated in bold font, "Trust is the cornerstone of the relationship between you, as an investor, and the D.A. Davidson & Co. financial professionals working for you. Your needs should always come first."[61] However, the firm's website underwent substantial revisions thereafter and this content was removed.

**Stifel**. In the firm's "Statement of Commitment" to clients, Stifel pledges: "Putting the welfare of clients and community first, we strive to be the Advisor of Choice in the industry."[62] Further, the firm states that its guiding principle is: "Safeguarding the money of others as if it were our own."[63] The firm also publishes a welcome pamphlet for clients which states: "We believe that by placing the clients' interests first, they prosper. It is when our clients prosper that the firm succeeds. At Stifel, we can truly say that we predicate our success on the success of our clients. We are nurtured by years of trust and understanding, and by shared goals and shared successes."[64]

**Baird**. The firm's "Who We Are" webpage offers the following explanation of the firm's "unique" culture: "Everything we are, do and hope to achieve at Baird is driven by a straightforward mission: ***To provide the best financial advice and service to our clients and be the best place to work for our associates.*** What this means for clients around the world is we strive to help create great outcomes in their financial lives by keeping their interests first – always. It means being committed to honesty, integrity, transparency and teamwork – the ideals our firm was founded on nearly 95 years ago and they continue to make us a great firm to work

[57] SCHWAB, Find a Branch, https://client.schwab.com/Public/BranchLocator/branchdetails.aspx?branchid=1213 (last visited August 21, 2016) [Appendix 17].

[58] JANNEY, About Janney, http://www.janney.com/about-janney/home (last visited August 21, 2016) [Appendix 1].

[59] JANNEY, Why Janney, http://www.janney.com/about-janney/mission--history/why-janney (last visited August 21, 2016) [Appendix 1].

[60] D.A. DAVIDSON, About Us, http://www.davidsoncompanies.com/indv/a_indv/aboutus.cfm (last visited August 21, 2016) [Appendix 2].

[61] D.A. DAVIDSON, Your Rights, http://www.davidsoncompanies.com/indv/files/DADYourRights505.pdf (last visited August 21, 2016) [Appendix 2].

[62] STIFEL, About Stifel, http://www.stifel.com/home/aboutstifel (last visited August 21, 2016) [Appendix 3].

[63] STIFEL, Letter From Ron, http://www.stifel.com/docs/pdf/aboutus/welcometostifel.pdf (last visited August 21, 2016) [Appendix 3].

[64] STIFEL, Welcome to Stifel, http://www.stifel.com/docs/pdf/aboutus/welcometostifel.pdf (last visited August 21, 2016) [Appendix 3].

with today."[65] Moreover, in distinguishing Baird and its Financial Advisors from other firms, the website states that, "Baird Financial Advisors serve as true partners to families and individuals across the United States…. And being employee-owned and independent makes us different from many other firms. We're free to offer advice that is solely in your best interests – without worrying about outside shareholders."[66]

**Raymond James**. Raymond James promises to conduct itself in accordance with several precepts, the first of which – and the only one in bold – is that: **"Our clients always come first."**[67]

**Edward Jones**. The firm states on its website: "Your financial advisor is your long-term financial partner. These are important goals and you need an advocate – someone who listens and really understands what's important to you. We believe that's the best way to develop a personalized financial strategy."[68]

**Ameriprise**. In advertising how well-credentialed Ameriprise financial advisors are, the firm states, "Ameriprise advisors are dedicated to doing what's right for their clients."[69]

**BB&T Scott & Stringfellow**. The firm's homepage features the following statement: "We put our clients' interests first…. That's powerful synergy. A powerful partnership, working on your behalf."[70] The company's Mission Statement states: "Since 1893, our mission has been to put our clients' interests first and foremost through our commitment to their financial success."[71]

**HD Vest**. On the firm's website explaining why prospective clients should choose the firm, it highlights "today's increasingly complex financial marketplace" and proposes the firm's advisors as the solution: "[I]ntroducing a comprehensive approach to total wealth management delivered by your most trusted advisor."[72]

**Stephens**. The firm's "About Stephens" webpage states: "We are an independent financial services firm with the freedom to focus on what matters most: building value for our clients. We are committed to establishing and maintaining long-term relationships based on

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[65] BAIRD, A Unique Culture, http://www.rwbaird.com/who-we-are/unique-culture/ (last visited August 21, 2016) (emphasis in original) [Appendix 6].
[66] BAIRD, About Private Wealth Management, http://www.rwbaird.com/private-wealth-management/about (last visited August 21, 2016) [Appendix 6].
[67] RAYMOND JAMES, Mission Statement, http://www.raymondjames.com/about/mission.htm (last visited August 21, 2016) (emphasis in original) [Appendix 7].
[68] EDWARD JONES, Working with a Financial Advisor, https://www.edwardjones.com/value/financial-advisor.html (last visited August 21, 2016) [Appendix 9].
[69] AMERIPRISE, Financial advisor credentials, https://www.ameriprise.com/financial-planning/choosing-financial-advisor/our-financial-advisor-credentials/ (last visited August 21, 2016) [Appendix 8].
[70] BB&T SCOTT & STRINGFELLOW, http://www.bbtscottstringfellow.com/ (last visited August 21, 2016) [Appendix 10].
[71] BB&T SCOTT & STRINGFELLOW, Mission Statement, http://www.bbtscottstringfellow.com/aboutus/missionstatement (last visited August 21, 2016) [Appendix 10].
[72] HDVEST, Why Choose HD Vest, https://www.hdvest.com/investor/why-choose-hd-vest (last visited August 24, 2016) [Appendix 5].

integrity and trust and delivering long-term results based on deep research and independent thinking."[73]

**UBS**. In the firm's "About Us" section on its website, it states: "The UBS Wealth Management Americas approach is based on the trusted relationship of our **Financial Advisors** and their clients. Our experienced Advisors are committed to understanding clients' needs and delivering insightful, informed advice to help them realize their dreams."[74]

**Mass Mutual**. The firm's homepage urges prospective clients to "Join **millions of people** who place their confidence and trust in us. We're committed to the people who depend on us."[75]

**Northwestern Mutual**. The firm's "Values" webpage declares: "Above all, we believe in doing what's right for our clients. With every important decision, we ask ourselves this poignant question: "Is this in the best long-term interest of our clients?"[76]

Meanwhile, NAIFA, which is one of the trade associations that is party to the lawsuit, has launched a consumer advertising campaign that perfectly illustrates the many ways in which brokers and insurance agents market themselves as trusted advisors. The campaign is called "Trust a NAIFA Advisor,"[77] and their website carries the heading "Advisors You Can Trust."[78] The homepage of the website features the following statement in large capital letters and bold font: "TRUST YOUR FUTURE WITH A NAIFA ADVISOR."[79] There is a video advertisement on the website, with voiceover stating: "Contact a NAIFA member for advice you can trust. NAIFA members adhere to a code of ethics that is about honesty and integrity. They're committed to working with you and guiding you with a financial plan that will lead you to a secure future and a retirement you'll enjoy."[80]

## II. Industry's legal challenges are based on the claim that they are mere salespeople engaged in an arms' length sales relationship with their customers.

The industry trade associations' legal challenges to the DOL rule paints an entirely different picture of the services offered by their members to retirement savers than the image created in marketing materials. Doubtless the industry plaintiffs recognize that, if they once acknowledge that their members are engaged in providing advice, their argument that DOL erred

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[73] STEPHENS, About Stephens, http://www.stephens.com/about-stephens/ (last visited August 21, 2016) [Appendix 18].

[74] UBS, About Us, https://www.ubs.com/us/en/wealth/about_us.html (last visited August 21, 2016) (emphasis in original) [Appendix 12].

[75] MASS MUTUAL, https://www.massmutual.com/ (last visited August 21, 2016) (emphasis in original) [Appendix 23].

[76] NORTHWESTERN MUTUAL, Our Values, https://www.northwesternmutual.com/about-us/what-we-believe/our-values (last visited August 21, 2016) [Appendix 22].

[77] NAIFA, NAIFA: Advisors You Can Trust, http://www.naifa.org/practice-resources/prp/naifa-advisors-you-can-trust (last visited August 21, 2016) [Appendix 25].

[78] NAIFA, Advisors You Can Trust, http://www.advisorsyoucantrust.org/ (last visited August 21, 2016) [Appendix 25].

[79] *Id*.

[80] *Id*.

in applying a fiduciary standard to that advice goes up in smoke.[81] Accordingly, the industry plaintiffs go to great lengths to avoid using the word "advice" or the title "financial advisor" in their legal filings. Instead, they refer to these sales-based financial professionals as registered representatives[82] and insurance agents.[83] What marketers describe as "advice you can trust," plaintiffs instead refer to as "retirement assistance, products, and services"[84] or, more baldly still, as simple "commercial sales relationships."[85]

The industry plaintiffs argue, moreover, that broker-dealer reps and insurance agents cannot reasonably be viewed (or regulated) as advisors, since they do not actually provide unbiased advice. Instead, they claim that broker-dealer reps and insurance agents are just "salespeople" engaging in activity "whose essence is sales" that is no different from other commercial sales relationships.[86] The key distinction they draw is between a relationship of trust and confidence, where they acknowledge that a fiduciary duty should apply, and a commercial sales relationship in which a sales-based standard should apply.[87] In their complaint, for example, the Chamber et al. state: "It has long been the law, however, that a difference exists between sales activity and fiduciary activity—which occurs only under certain circumstances arising out of a special relationship marked by trust and confidence between the parties."[88] Similarly, ACLI and NAIFA argue that "the Department should have carved out from the Rule's regulatory ambit ordinary sales conversations where both parties understand that they are acting at arms' length."[89]

Unfortunately for the credibility of this argument, industry's marketing campaign to blur the line between product sales and investment advice has unquestionably "succeeded." After decades of being told they should trust their "financial advisor" to put their interests first, the majority of investors are unable to determine whether their own financial professional is a salesperson or a true advisor or whether the service being offered constitutes mere investment sales or fiduciary investment advice. Survey after survey has shown that investors do not distinguish between the sales recommendations they receive from broker-dealers and insurance agents and the advice they receive from fiduciary advisors.[90] Moreover, they overwhelmingly

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[81] Plaintiffs do introduce the argument that any advice they offer is "incidental" to their activities as salespeople, but they ignore the fact that ERISA, unlike the securities laws, does not include a "solely incidental" exclusion from the definition of fiduciary investment advice. They conveniently fail to mention, moreover, that key plaintiffs (including SIFMA and FSI) have elsewhere supported SEC rulemaking to apply a fiduciary standard to even such "incidental" advice.

[82] Memorandum in Support of Summary Judgment, Chamber, et al. v. Thomas E. Perez, Secretary of Labor and U.S. Department of Labor, at 3.

[83] Memorandum in Support of Summary Judgment, ACLI and NAIFA v. U.S. Department of Labor and Thomas E. Perez , at 4.

[84] Compl., Chamber, et al. v. Thomas E. Perez, Secretary of Labor and U.S. Department of Labor, at 3.

[85] Compl., ACLI and NAIFA v. U.S. Department of Labor and Thomas E. Perez, at 65.

[86] Memorandum in Support of Summary Judgment, Chamber, et al. v. Thomas E. Perez, Secretary of Labor and U.S. Department of Labor, at 1, 18.

[87] Compl., ACLI and NAIFA v. U.S. Department of Labor and Thomas E. Perez, at 49-50.

[88] Compl., Chamber, et al. v. Thomas E. Perez, Secretary of Labor and U.S. Department of Labor, at 43.

[89] Compl., ACLI and NAIFA v. U.S. Department of Labor and Thomas E. Perez, at 49-50.

[90] *See, e.g.,* Angela A. Hung, *et al*., Investor and Industry Perspectives on Investment Advisers and Broker-Dealers, Rand Corporation, Sponsored by the United States Securities and Exchange Commission (January 2008) https://www.sec.gov/news/press/2008/2008-1_randiabdreport.pdf; Siegel & Gale, LLC and Gelb Consulting Group, Inc., Results of Investor Focus Group Interviews About Proposed Brokerage Account Disclosures,

expect that all financial professionals are required to act in their best interests.[91] So, even on its own terms, plaintiffs' argument fails, since there is no evidence that, when it comes to retirement investment advice, "both parties" do in fact understand that they are in an arms' length sales relationship rather than an advisory relationship of trust and reliance.

Industry's desire to market themselves as trusted advisors is understandable. Clearly, if they portrayed themselves as mere salespeople engaged in arms' length sales transactions, they wouldn't be nearly as effective at attracting clients. But, in making these claims, they have landed themselves in a Catch 22. If their legal claims to be acting as mere salespeople are accurate, then their marketing is grossly deceptive, and securities and insurance regulators have an obligation to step in and bring a halt to the misrepresentation. If their marketing claims are accurate, then it is their legal arguments that are based on a fallacy, and the courts have no choice but to reject their challenge.

## III. The DOL's rule will cure this problem.

The market practices chronicled in this white paper show that financial firms and their sales-based financial professionals function as investment advice providers, despite financial lobbyists' legal claims to the contrary. They also illustrate why it was appropriate for the DOL to determine that such practices demand fiduciary protections. The DOL's revised definition of fiduciary investment advice appropriately captures the full range of services that retirement savers would reasonably view as fiduciary investment advice. As a result, the updated definition better ensures that retirement savers will receive critical fiduciary protections against conflicts of interest for the types of interactions that they reasonably rely on as advisory in nature. In addition, it is much less susceptible to evasion by market participants, reducing the risk that they will function as advisors without complying with the standards that Congress intended should apply to that function. Importantly, the DOL rule achieves this expansion of the fiduciary standard to a broader range of advisory services while preserving the ability of financial professionals, including sales-based advisors, to comply with a fiduciary standard under a variety of business models.

If, on the other hand, the courts were to buy industry's misleading argument that these "financial advisors" are salespeople "merely selling a product," or if the rule were to be blocked or fundamentally undermined by Congressional or Administration action, then these sales-based advisors could continue to evade their fiduciary duty to their clients who are saving for retirement, resulting in billions of dollars in additional losses to retirement savers. All retirement savers would face the continuing risk that self-dealing transactions would harm their retirement security. Small savers would remain in particular danger, since they need to make every dollar count and are currently most at risk of receiving conflicted advice.

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Report to the Securities and Exchange Commission (March 10, 2005) https://www.sec.gov/rules/proposed/s72599/fcrpt031005.pdf; Infogroup/ORC, U.S. Investors & The Fiduciary Standard: A National Opinion Survey (September 15, 2010) http://www.hastingsgroup.com/fiduciarysurvey/docs/091510%20Fiduciary%20survey%20report%20FINAL2.pdf.

[91] S. Kathi Brown, Attitudes Toward the Importance of Unbiased Financial Advice, AARP Research (May 2016) http://www.aarp.org/research/topics/economics/info-2016/attitudes-toward-unbiased-financial-advice.html?cmp=RDRCT-PRI-OTHER-FINANCE-042816.

## IV. Conclusion

For too long, the industry has escaped being appropriately held accountable for their actions based on a legal farce – that they are "merely" salespeople who do not function as advisors or seek to occupy positions of trust and confidence. But this is a position they adopt only when they are seeking to avoid regulation as advisors. All their other conduct – from the titles they adopt to the way they describe and market their services – sends precisely the opposite message. The DOL appropriately brought the advisory activities of these firms under fiduciary scrutiny by holding them accountable for the recommendations they provide that reasonably can be construed to be advisory in nature. As the rule is implemented, retirement savers will benefit from receiving genuine advice that's in their best interest rather than advice that is influenced by conflicts of interest. It is essential that the rule go into effect as scheduled in order for retirement savers to receive the protections they so desperately need and deserve.

# Financial Advisor or Salesperson?

# Appendix – Advertising Practices of Brokerage & Insurance Firms

http://bit.ly/CFA_Appendix

# Appendix B – Senator Warren Annuity Kickback Report & Other Annuity Incentives

# Villas, Castles, and Vacations

## 2017 EDITION

***Americans' New Protections from Financial Adviser Kickbacks, High Fees, & Commissions are at Risk***

February 2017

Prepared by the Office of Senator Elizabeth Warren

In April 2016, President Obama and the Department of Labor (DOL) finalized a new rule to curb financial adviser conflicts of interest costing Americans saving for their retirement $17 billion every year. That's $17 billion being drained away by investment advisers who put their own financial interests ahead of the retirement security of their clients. Americans overwhelmingly support this new rule and are ready to see these conflicts of interest gone for good.[1]

In two months, when this rule takes effect in April, they'll finally get their wish. The rule requires all advisers giving retirement advice to put their customers' interests first: no more kickbacks, fancy vacations, sky-high fees, or products that net the adviser a handsome commission, but hurt investors. Middle-class families will finally be able to trust that their financial advisers are working for their customers, not their own bottom line. That is, unless the giant financial companies who benefit from this corrupt status quo—and their armies of lawyers and lobbyists—successfully persuade President Trump and Republicans in Congress to halt this commonsense protection.

The financial industry and its army of lobbyists are salivating at the chance to delay this rule, the first step in their plan to make sure it never sees the light of day. They are fighting it tooth and nail—and they have 17 billion reasons to do so. So President Trump faces a simple choice: he can stand with the banks and financial advisers who put their own interests ahead of their clients', or he can stand with the millions of middle class Americans trying to build a little economic security for their retirement and put a stop to these conflicts and abuses once and for all.

This report describes and identifies the types of kickbacks and conflicts of interest that will be curbed if this rule goes into effect, as planned, on April 10, 2017. Sen. Warren first identified the scope of this problem in her October 2015 report, "Castles, Villas, and Vacations: How Perks and Giveaways Create Conflicts of Interest in the Annuity Industry," which detailed some of the most egregious forms of kickbacks in the industry. She asked her staff to conduct this latest investigation to determine the extent to which financial firms continue to use these tactics. This new report finds:

- Kickbacks in the financial industry, and particularly in the annuities industry, such as lavish vacations and cash prizes, remain widespread. Companies are rewarding agents with trips to Playa Del Carmen, Mexico, the Ritz-Carlton Half Moon Bay resort, the "One & Only Palmilla" resort in Los Cabos, and dozens of other luxurious locales.


- The Department of Labor Conflict of Interest Rule will eliminate the worst industry kickbacks when it goes into effect in April, 2017.

- If President Trump delays the implementation of this rule, large financial firms will continue to take advantage of consumers and put perks like cruises and other lavish trips ahead of the retirement security of middle-class investors.

## Kickbacks and Rewards for Annuity Sales Agents

In April 2015, Sen. Warren learned of a pernicious and widespread practice that was creating conflicts of interest that were harming many American families. Annuities are common investments made by seniors to ensure that they have a guaranteed income, protected from market risks, for life. These annuities can be good investments for some retirees but the sales practices in this $225 billion industry were fraught with problems: annuity providers were offering sales agents a vast range of perks —from cruises to lavish international travel to iPads to diamond-encrusted 'NFL Super Bowl Style' rings to cash and stock options—to entice sales of their products —regardless of whether they were the best investment for retirees.

Sen. Warren opened an investigation based on these findings, sending inquiries to the 15 largest annuity companies in the United States. What she learned was alarming. Thirteen of the fifteen companies—87%—offered kickbacks to their agents in exchange for sales to retirees. These kickbacks included luxurious, all-expenses-paid vacations to destinations like Aruba, the Bahamas, Ireland, and South Africa, golf outings, iPads and other electronics, expensive dinners, theatre or professional sports tickets, and sports memorabilia. And they failed to adequately inform consumers about these kickbacks, burying these vaguely phrased disclosures hundreds of pages into their prospectuses.[2]


These kickbacks create serious conflicts of interest. It's far too easy for an adviser to sell just one more annuity, regardless of whether it is a prudent choice for the investor, when a free vacation or an international cruise is waiting for him on the other side of the sale. These conflicts can result in devastating consequences for retirees.[3] In order to end these conflicts, DOL proposed a rule to require all financial advisers who are selling retirement products to put their customers' interests first.

## The DOL Conflict of Interest Rule Will End the Worst Kickbacks

The Conflict of Interest Rule put in place by DOL will put a stop to these harmful kickbacks. The new rule prohibits financial firms from compensating their advisers in ways that encourage and reward them for making recommendations that are not in their clients' best interest. This includes paying bonuses, providing prizes, having sales contests, using sales quotas, or creating other incentives that would cause advisers to put their own interests ahead of their clients'. Providing sales incentives such as luxury cruises and all-expense paid trips to tropical resorts would not be allowed under this standard.

While annuities can still be sold under the new rule and advisers and firms can still be compensated for their services, the sale of annuities must comply with certain conditions that are designed to protect the investor from conflicts of interest. This new standard will ensure that the best products and services thrive, while the worst products, services, kickbacks, and incentives leave the market. And if firms and advisers continue to push harmful products that are not in retirement investors' interest, retirement investors will be able to hold their advisers and firms legally accountable for their harmful practices. In short, whenever retirement investors receive recommendations to purchase annuities, these recommendations will be in their best interest, not their advisers'.

This rule is scheduled to be fully implemented on April 10, 2017.[4] However, reports indicate that President Trump may delay and ultimately dismantle the rule, stripping middle-class families of its important consumer protections.[5]

In an effort to examine the impact of a delay or rollback of the rule, Sen. Warren's staff investigated the continued use of vacation rewards and other perks by annuity and investment companies.

*Continued on page 4*

| Companies Offering Incentives for Annuity and/or Insurance Sales in 2016 or 2017 | |
|---|---|
| **CPS Insurance Services** | "Vacation in the Vineyard," "Power Producer Conference in Los Cabos, Mexico," and more.[11] |
| **American National Insurance** | Five days and four night at "The One & Only Palmilla, Los Cabos, Mexico"[12] |
| **Legacy Marketing Group** | Cash rewards[13] |
| **Assurity Life Insurance Company** | "Ireland Leaders' Conference" at the Westbury Hotel in Dublin, Ireland[14] |
| **American Equity Investment Life Insurance Company** | "A Time to Remember" at the Walt Disney World Resort[15] |
| **Athene Annuity and Life Insurance Company** | "Leaders of Olympus Explore Program" in Prague, Czech Republic[16] |
| **Forethought Life Insurance Company** | "Elite Agent Bonus Program' (cash rewards)[17] |
| **National Western Life Insurance Company** | "Sales Conference" and "Champions Club" in Puerto Rico[18] |
| **Oxford Life Insurance Company** | Choice of leads, travel, and cash rewards up to $10,000 per year[19] |
| **Sentinel Security Life** | "President's Club Adventure" at the Banyan Tree Mayakoba resort in Playa Del Carmen, Mexico[20] |
| **Davis Life & Annuity** | 5 nights and 6 days at "the exquisite" Fairmont le Chateau Frontenac in Quebec City, Canada[21] |
| **Americo Financial Life and Annuity Insurance Company** | 5 nights and 6 days at the Four Seasons Resort Maui at Wailea in Maui, HI[22] |
| **Mutual of Omaha** | Several days and nights at the Montage Laguna Beach in Laguna Beach, CA[23] |
| **National Life Insurance Company** | "Conference of Champions" at The Ritz-Carlton in Naples, FL[24] |
| **Insurance Network America** | "2017 INA Top Producer Cruise" on The Harmony of the Seas in the Caribbean[25] |
| **Companion Life** | "2017 Leaders Conference" at the Four Seasons Resort Nevis in Charlestown, St. Kitts & Nevis[26] |
| **Gradient Annuity Brokerage** | "Gradient Gala & Grand Gala" in Ireland and the "Gradient Summit" at the Ritz-Carleton in Amelia Island, FL[27] |
| **First Annuity & Insurance Marketing** | 4 nights and 5 days at the Wailea Beach Marriott Resort & Spa in Maui, HI or at the Sonnenalp Hotel & Spa in Vail, CO[28] |
| **Brokers Alliance** | Depending on sales, several thousands of dollars in "travel credit"[29] |
| **Royal Neighbors of America** | "Agent Sales Trip" to the Four Seasons Jackson Hole in Jackson Hole, WY[30] |
| **Liberty Bankers Life** | "Viking Ocean Cruise" from Venice, Italy to Athens, Greece[31] |
| **North American Company for Life and Health Insurance** | Cash rewards[32] |
| **CreativeOne** | Week-long trip to Ireland[33] |
| **AIG Partners Group** | "Leaders Development Conference" at The Ritz-Carlton in San Francisco, CA and the "Elite Leaders Development Conference" at The Ritz-Carlton in Half Moon Bay, CA[34] |

*Continued from page 2*


## Continued Use of Kickbacks and Lavish Rewards by Annuity Companies

This new investigation provides important updates on the October 2015 investigation and demonstrates that, in the final months before the Conflict of Interest Rule goes into effect, annuity companies continue to offer lavish rewards to agents in exchange for sales, creating conflicts of interest that could harm consumers. For example:

- Sentinel Security Life's "Top 15 Annuity Agents" can qualify for a May 2017 week-long trip to Playa Del Carmen, Mexico, known for its "palm-lined beaches, coral reefs, and scuba-diving." Agents will stay at a resort "bringing you high-class hospitality and the finest experience of pristine coastlines and natural surroundings."[6]

- AIG Partners Group, in order to "renew and strengthen bonds with our most valued distribution partners," offers its top-selling annuity agents a May 2017 four-day stay—with a guest—at the Ritz-Carlton in San Francisco. Agents with even higher sales volumes are also invited to the three-day "Elite Leaders" event at the Ritz-Carlton Half Moon Bay resort.[7]

- The American National company offers its "top 80 qualifiers and their guest" a five day stay at "The One & Only Palmilla" resort in Los Cabos, Mexico in May 2017.[8]

- Assurity Life Insurance Company is offering a June 2017 trip – for agents and a guest - to the Westbury Hotel in Dublin, Ireland for its "Leaders' Conference." The company is explicit about its desire to keep the agency incentives hidden from consumers, advertising it to agents with a flyer that warns, "NOT TO BE FORWARDED TO CONSUMERS."[9]

- The Legacy Marketing Group offers cash bonuses to agents who meet annuities sales targets.[10]

- Many other companies and third-party agent representatives offer similar travel and other

incentives to agents. Staff identified at least 25 companies that continued to offer these incentives in the months before the conflict of interests rule is set to go into effect.

The implication of the continued prevalence of these sales practices is clear: the financial industry will not get rid of these incentives on their own. If President Trump delays the rule's April 10th effective date, large financial firms will continue to take advantage of consumers and put perks like cruises and lavish vacations ahead of the retirement security of middle-class investors.

## Conclusion

This investigation reveals that, even after Sen. Warren publicly identified the widespread use of travel incentives and other giveaways by annuity companies, and the ways in which these perks incentivize agents to offer products that are not in the best interest of consumers, they continue to be widely used. These gross abuses will be curbed by the DOL Conflict of Interest Rule that takes effect in April 2017. President Trump should stand up to the financial industry and assure the millions of hardworking Americans who are trying to save a little money for their retirement that he will not delay this rule.

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ELIZABETH WARREN
U.S. SENATOR FOR MASSACHUSETTS

**EXAMPLES OF INCENTIVES FOR ANNUITY BROKERS**

http://lineagepartnersllc.com/awards-and-recognition/

LINEAGE PARTNERS

# Awards and Recognition

**Everyone likes to get that little something extra right? We have plenty of awards and recognition!**

When you work with Lineage Partners there is always something for you to win whether it is rewards for your business or recognition for your outstanding achievements. We like to give back to those that help others and help our company grow.

That's why we have developed a bountiful rewards program that offers something for everyone. Yes, even those who only do a little bit of business. Here are some of our rewards we think you will like them!

## Crusaders Club Ring

You will have proven yourself a leader once you qualify for your Crusaders Club ring. This is NFL Super Bowl Style ring with high quality gold and a Ruby in the middle and surrounded by diamonds each year thereafter. Set yourself apart as a leader and joint the elite Crusader Club.


**Qualifications:**

Income Requirement: $100,000 in annual income.

Each year you qualify we will add an additional diamond to your ring around the ruby. Serious Crusaders will have all their diamonds.

## Mercedes Benz Lease

Nothing says success like the car you drive. When you drive a nice luxury car your attitude changes and your mentality changes too! You know you have arrived, you have more confidence, and your peers will know see it too. This prize is for our top earners and achievers. It is a renewable 27 month lease.


**Qualifications:**

Life Premium: $750,000 of annualized target premium paid and issued during a calendar year.

Annuity Premium: 7,500,000 of annualized annuity premium paid and issued during a calendar year.

https://agents.creativeone.com/docs/LIF-GEN-14-0006_LIF-TRIP.pdf

# PREMIER PARTNERS® qualify for premier destinations

## Reward yourself in 2015

**Oahu**
**MGA Convention**
July 6 – July 10
(Top qualifiers depart on July 11)


**Cape Town and**
**Kruger National Park**
**MGA Summit**
August 17 – August 23
(Departs U.S. on August 16)



Lincoln Financial Group®
You're In Charge®

To receive this noncash award, a producer or manager must meet the qualification requirements, hold a current contract, and be in good standing with Lincoln Financial Group at the time of the incentive.

Attendance is by invitation only and is nontransferable. Summit qualifiers have the option of attending either the Summit or an upgraded Convention, but not both.

Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates, including broker-dealer/distributor Lincoln Financial Distributors, Inc., Radnor, PA, and insurance company affiliates The Lincoln National Life Insurance Company, Fort Wayne, IN, and Lincoln Life & Annuity Company of New York, Syracuse, NY.

Affiliates are separately responsible for their own financial and contractual obligations.

PREMIER PARTNERS
Lincoln Financial Group®

**ELIZABETH WARREN**
**U.S. SENATOR FOR MASSACHUSETTS**


After what will surely be a breakout year for all of us in 2014, the Hard Rock Resort Punta Cana in the Dominican Republic will be just the reward, pampering and get away you deserve.

No matter how you define "relaxation and getaway" Hard Rock Punta Cana will deliver.

- **15 world class pools**
- **9 restaurants from casual to elegant including the Simon Mansion Restaurant featuring Chef Kelly Simon.**
- **The 14,000 square foot Oro Nightclub that would rival the finest that Vegas or Miami has to offer.**
- **Turn it up with the hottest casino in the Dominican Republic. Home to the best action in the Caribbean, our 45,000-square-foot Casino features legendary play at 40 unique tables and more than 450 of your favorite slots. Go big with the international flavor of our Poker Room. Enjoy the pulsating energy of Blackjack, Craps, Roulette, and Baccarat.**
- **The Hard Rock Golf Club at Cana Bay, a Jack Nicklaus designed course, that is 7253 yards from the back tees giving you all the challenge you want.**
- **Shopping? Start your outing with more than 15 brand name shops right on the property.**
- **Yes – And let's not forget the most pristine beaches in all of the Caribbean.**

Whatever you need to getaway, relax and recharge,
do it with *Magellan Financial* at the Hard Rock Resort Punta Cana…destined to be our best trip yet !




# 2014 Qualification Details

You and a guest will be invited to join us at the Top Producers Conference after you meet the minimum production requirements listed below.

**January 1, 2014 – December 31, 2014**

**• $2 Million FIA Premium • $200,000 Target Life Premium • Combination of Life/Annuity**

Life Production counts 10x Paid Target Premium

**You will not want to miss this trip, Call Magellan for more details**

**866-779-3553**

*Terms and Conditions as well as carrier/product restrictions apply. Final Production Credit will be calculated at the sole discretion of Magellan Financial & Insurance Services, Inc.

http://magellanfinancial.com/incentives/fast-start-incentive/



# INCENTIVES

## FAST-START INCENTIVE

Are you considering doing business with Magellan Financial? If you're looking for a little extra incentive to put your contracts with us and get started on the right foot, look no further than our Fast-Start Incentive.

### Get appointed, get connected

A big part of business these days is being connected … to prospects, clients, referrals, strategic partners and vendors. Why not take the opportunity to turn your production into a free iPad® just for doing what you do best? Here's how it works.


1. Get contracted with us.
2. Jumpstart your success by submitting business through us right away.
3. Write $125,000 in paid annuity business or $12,500 in paid life business (or a combination of the two) within 30 days of appointment and receive an iPad mini™.
4. Write $200,000 in paid annuity business or $20,000 in paid life business (or a combination of the two) within 30 days of appointment and receive an iPad Air™.

So, what are you waiting for? Get contracted with us and start reaping the rewards immediately!

# INCENTIVES

## Boulders Resort & Spa

Scottsdale, Arizona

**February 25, 2018 – February 28, 2018**

*Qualification period: July 1st, 2016 – December 31st, 2017*

**Qualify with $2,000,000 in Annuity Premium, or call for other ways to qualify!**

> “We have been privileged to participate in many incentive trips, none of which have ever compared to those provided by IAMS.”
>
> — James M.


## New Producer Bonus

During your first 180 days with IAMS your production earns you the right to choose any one of our fabulous New Producer Incentives.

With our New Producer Bonus, you’ll receive much more than just the satisfaction of a job well done.

All new producer referrals qualify for **Referred Producer Money** (RPM) (http://www.iamsinc.com/referral-program/). Call (800) 255 – 5055 to learn more about our RPM Program.

**Learn More About Everyday Agent Support!**

# New Producer Perks!

## 100,000 Level*

**Free Producer Website**

(2 Years)

**Newest iPad**

**$750.00 Cash**

## 300,000 Level*

**Social Security Program & 3,000 Piece Postcard Mailing**

**$2,000 Marketing Reimbursement**

**$1,500 Gift Card!**

## 500,000 Level*

**5,000 Piece Mailing & Seminar Coaching with Matt Gill**

**4,000 Piece Mailing & Seminar Coaching with Dave Pimper**

**Ritz Carlton Travel Rewards**

(Make your own getaway!)

# REQUEST AGENT KIT

**Learn More About Everyday Agent Support!**

## More Trips!

# Security Mutual Life's 2018 President's Cabinet

Pebble Beach, California
**April 22nd-26th, 2018**

*Qualification period: January 1st, 2017 – December 31st, 2017*

**Call (800) 255 – 5055 for qualification details!**

(http://www.insurmark.net/)

800.752.0207 (tel:800.752.0207) | REGISTER (http://www.insurmark.net/register)

Home (http://www.insurmark.net) > Rewards

# COLD CASH, GREAT TRIPS, JUICY PERKS.
## IT'S GOOD TO BE YOU.

You are an independent business person with no boss. And you partner with a marketing organization like InsurMark that rewards you with lucrative bonuses over and above your earnings.

Life is good. It gets even better when you are an InsurMark advisor. We make sure of it. You qualify for IM Rewards starting Day One. And the list of cash, travel and benefit rewards is so long that we have an entire department just to track them for you.

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# Appendix C – Small Plan 401k Costs

**401(k) PLAN FEE DISCLOSURE FORM**
**For Services Provided by ADP**
**Total Plan Expenses**

**Role(s) performed by service provider**

☒ Custodian/Trustee ☒ Record Keeper ☒ Third-Party Administrator
☐ Investment Professional ☐ Other (Describe): ______

**Assumptions**

Total Plan Assets $393,956.33 Eligible Employees 11

**Annual Fees**

| Fund Name | Fund Expenses[1] | Fund Balance | Provider %[2] | Provider Fees |
|---|---|---|---|---|
| SSgA Cash Series U.S. Government Fund - Class L | 0.75% | $5,851.21 | 0.00% | $0.00 |
| T.Rowe Price Retirement 2040 Fund - Class R | 1.26% | $52,032.96 | 0.65% | $338.21 |
| T.Rowe Price Retirement 2045 Fund - Class R | 1.26% | $284,928.85 | 0.65% | $1,852.0 |
| T.Rowe Price Retirement 2050 Fund - Class R | 1.26% | $16,760.20 | 0.65% | $108.94 |
| T.Rowe Price Retirement 2055 Fund - Class R | 1.26% | $5,796.78 | 0.65% | $37.68 |
| BlackRock Equity Dividend Fund - Investor A Class | 0.95% | $1,208.33 | 0.50% | $6.04 |
| SSgA S&P 500 Index Securities Lending Series Fund | 0.71% | $16,495.41 | 0.67% | $110.52 |
| Alger Capital Appreciation Institutional Fund Class | 1.19% | $1,246.58 | 0.50% | $6.23 |
| Goldman Sachs Growth Opportunities Fund - Class | 1.41% | $775.32 | 0.50% | $3.88 |
| SSgA Russell Small Cap Index Securities Lending | 0.97% | $486.23 | 0.87% | $4.23 |
| AB Small Cap Growth Portfolio - Class A | 1.25% | $784.04 | 0.50% | $3.92 |
| Oppenheimer Developing Markets Fund - Class A | 1.33% | $450.47 | 0.50% | $2.25 |
| Oppenheimer Gold & Special Minerals Fund - Class | 1.17% | $939.10 | 0.50% | $4.70 |
| Neuberger Berman Real Estate Fund - Class A | 1.47% | $2,157.98 | 0.50% | $10.79 |
| Goldman Sachs Technology Tollkeeper Fund - Class | 1.55% | $3,230.81 | 0.50% | $16.15 |
| Invesco Energy Fund - Class A | 1.15% | $812.06 | 0.50% | $4.06 |

| | |
|---|---|
| Provider fees paid from investment funds | **$2,509.65** |
| Provider fees deducted from participant accounts or paid by employer | **$2,354.40** |
| Total Fees | **$4,864.05** |

[1]Fund Expenses include the fund's expense ratio plus any "wrap" fee charged by the provider. The expense ratio is determined through an annual calculation, where a fund's operating expenses are divided by the average dollar value of its assets under management. Fund expenses are taken out of a fund's assets and lower investor returns.

[2]Provider % includes revenue sharing paid to the provider by the investment fund or wrap fees added by the provider. These expenses lower investor returns.

**401(k) PLAN FEE DISCLOSURE FORM**
**For Services Provided by ADP**
**Total Plan Expenses**

## Role(s) performed by service provider

☒ Custodian/Trustee ☒ Record Keeper ☒ Third-Party Administrator

☐ Investment Professional ☐ Other (Describe): ______________________

## Assumptions

Total Plan Assets $968,890.77 Eligible Employees 7

## Annual Fees

| Fund Name | Fund Expenses[(1)] | Fund Balance | Provider %[(2)] | Provider Fees |
|---|---|---|---|---|
| SSgA Cash Series U.S. Government Fund - Class L | 0.75% | $144,978.17 | 0.01% | $14.50 |
| Franklin Strategic Income Fund - Class A | 0.87% | $17,206.97 | 0.50% | $86.03 |
| Fidelity Advisor Freedom 2030 Fund - Class T | 1.27% | $57,601.41 | 0.75% | $432.01 |
| Fidelity Advisor Freedom 2040 Fund - Class T | 1.28% | $11,999.86 | 0.75% | $90.00 |
| Fidelity Advisor Freedom 2050 Fund - Class T | 1.28% | $53,031.67 | 0.75% | $397.74 |
| AB Equity Income Fund - Class A | 1.07% | $76,890.35 | 0.50% | $384.45 |
| BlackRock Equity Dividend Fund - Investor A Class | 0.95% | $140,219.59 | 0.50% | $701.10 |
| AB Discovery Value Fund - Class A | 1.22% | $21,996.62 | 0.50% | $109.98 |
| Franklin Small Cap Value Fund - Class A | 1.21% | $53,642.01 | 0.50% | $268.21 |
| AB Small Cap Growth Portfolio - Class A | 1.25% | $42,470.72 | 0.50% | $212.35 |
| BlackRock Small Cap Growth Equity Portfolio - | 1.14% | $24,133.97 | 0.50% | $120.67 |
| Templeton Foreign Fund - Class A | 1.16% | $10,593.04 | 0.50% | $52.97 |
| Federated International Leaders Fund - Class A | 1.45% | $61,596.22 | 0.50% | $307.98 |
| Oppenheimer Developing Markets Fund - Class A | 1.33% | $42,081.36 | 0.50% | $210.41 |
| Davis Financial Fund - Class A | 0.88% | $22,797.18 | 0.45% | $102.59 |
| Prudential Jennison Health Sciences Fund - Class A | 1.15% | $37,994.25 | 0.50% | $189.97 |
| Prudential Jennison Natural Resources Fund - Class | 1.16% | $36,292.38 | 0.50% | $181.46 |
| Oppenheimer Gold & Special Minerals Fund - Class | 1.17% | $35,136.11 | 0.50% | $175.68 |
| Invesco Real Estate Fund - Class A | 1.25% | $30,465.31 | 0.60% | $182.79 |
| Goldman Sachs Technology Tollkeeper Fund - Class | 1.54% | $5,323.26 | 0.50% | $26.62 |
| Invesco Energy Fund - Class A | 1.15% | $42,440.32 | 0.50% | $212.20 |

| | |
|---|---|
| Provider fees paid from investment funds | **$4,459.71** |
| Provider fees deducted from participant accounts or paid by employer | **$2,522.04** |
| Total Fees | **$6,981.75** |

[(1)]Fund Expenses include the fund's expense ratio plus any "wrap" fee charged by the provider. The expense ratio is determined through an annual calculation, where a fund's operating expenses are divided by the average dollar value of its assets under management. Fund expenses are taken out of a fund's assets and lower investor returns.

[(2)]Provider % includes revenue sharing paid to the provider by the investment fund or wrap fees added by the provider. These expenses lower investor returns.

**401(k) PLAN FEE DISCLOSURE FORM**
**For Services Provided by AXA**
**Total Plan Expenses**

**Role(s) performed by service provider**

☒ Custodian/Trustee ☒ Record Keeper ☒ Third-Party Administrator

☐ Investment Professional Other (Describe): ______

**Assumptions**

Total Plan Assets $365,081.67 Eligible Employees 7

**Annual Fees**

| Fund Name | Fund Expenses[1] | Fund Balance | Provider %[2] | Provider Fees |
|---|---|---|---|---|
| AXA Aggressive Allocation | 1.49% | $18,512.24 | 0.49% | $90.71 |
| AXA Moderate Allocation | 1.39% | $10,563.86 | 0.49% | $51.76 |
| EQ/Core Bond Index | 0.96% | $3,601.02 | 0.49% | $17.64 |
| AXA Templeton Gbl Eq Mgd Vo | 1.40% | $7,976.73 | 0.49% | $39.09 |
| AXA Intl Cor Mged Volatility | 1.33% | $3,812.18 | 0.49% | $18.68 |
| EQ/JP Morgan Value Oppts | 1.24% | $13,170.91 | 0.49% | $64.54 |
| AXA Large Gr Mged Volatility | 1.14% | $4,967.18 | 0.49% | $24.34 |
| EQ/T.Rowe Price Grwth Stock | 1.34% | $5,831.64 | 0.49% | $28.58 |
| EQ/Equity 500 index | 0.86% | $170,913.57 | 0.49% | $837.48 |
| EQ/Morgan Stan Mid Cap | 1.32% | $5,681.41 | 0.49% | $27.84 |
| EQ/GAMCO Small CO. Value | 1.32% | $2,986.63 | 0.49% | $14.63 |
| EQ/Small Company Index | 0.96% | $114,201.53 | 0.49% | $559.59 |
| EQ/AB Small Cap Growth | 1.25% | $2,862.77 | 0.49% | $14.03 |

Provider fees paid from investment funds **$1,788.90**

Provider fees deducted from participant accounts or paid by employer **$84.00**

Total Fees **$1,872.90**

[1]Fund Expenses include the fund’s expense ratio plus any “wrap” fee charged by the provider. The expense ratio is determined through an annual calculation, where a fund's operating expenses are divided by the average dollar value of its assets under management. Fund expenses are taken out of a fund's assets and lower investor returns.

[2]Provider % includes revenue sharing paid to the provider by the investment fund or wrap fees added by the provider. These expenses lower investor returns.

**401(k) PLAN FEE DISCLOSURE FORM**
**For Services Provided by AXA**
**Total Plan Expenses**

**Role(s) performed by service provider**

☒ Custodian/Trustee ☒ Record Keeper ☒ Third-Party Administrator

☐ Investment Professional Other (Describe): ____________________

**Assumptions**

Total Plan Assets $542,429.91 Eligible Employees 4

**Annual Fees**

| Fund Name | Fund Expenses[1] | Fund Balance | Provider %[2] | Provider Fees |
|---|---|---|---|---|
| EQ/Core Bond Index | 0.96% | $167,984.00 | 0.49% | $823.12 |
| AXA Global Equity Managed Volatility | 1.42% | $37,037.00 | 0.49% | $181.48 |
| EQ/Equity 500 Index | 0.86% | $137,854.19 | 0.49% | $675.49 |
| EQ/Mid Cap Index | 0.97% | $53,254.00 | 0.49% | $260.94 |
| EQ/Small Company Index | 0.87% | $53,254.00 | 0.49% | $260.94 |
| Money Market Guarantee Account | 0.64% | $93,046.72 | 0.49% | $455.93 |

Provider fees paid from investment funds **$2,657.91**

Provider fees deducted from participant accounts or paid by employer **$48.00**

Total Fees **$2,705.91**

(1) Fund Expenses include the fund's expense ratio plus any "wrap" fee charged by the provider. The expense ratio is determined through an annual calculation, where a fund's operating expenses are divided by the average dollar value of its assets under management. Fund expenses are taken out of a fund's assets and lower investor returns.

(2) Provider % includes revenue sharing paid to the provider by the investment fund or wrap fees added by the provider. These expenses lower investor returns.

**401(k) PLAN FEE DISCLOSURE FORM**
**For Services Provided by (Other Provider)**
**Total Plan Expenses**

**Role(s) performed by service provider**

☒ Custodian/Trustee ☒ Record Keeper ☒ Third-Party Administrator

☐ Investment Professional Other (Describe): ____________________

**Assumptions**

Total Plan Assets $1,827,791.00 Eligible Employees 42

**Annual Fees**

| Fund Name | Fund Expenses[(1)] | Fund Balance | Provider %[(2)] | Provider Fees |
|---|---|---|---|---|
| Alger Capital Appreciation Inst'l I | 1.16% | $145.00 | 0.50% | $0.73 |
| American Funds American Balanced - R3 | 0.94% | $5,521.00 | 0.65% | $35.89 |
| American Funds Bond Fund of America - R3 | 0.93% | $32,877.00 | 0.65% | $213.70 |
| American Funds EuroPacific Growth R3 | 1.14% | $543.00 | 0.65% | $3.53 |
| Eagle Small Cap Growth A | 1.10% | $40,641.00 | 0.50% | $203.21 |
| Great-West Aggressive Profile II Fund I | 1.18% | $5,449.00 | 0.35% | $19.07 |
| Great-West Bond Index Fund I | 0.50% | $38,068.00 | 0.35% | $133.24 |
| Great-West Conserv Profile II Fund I | 0.83% | $49,000.00 | 0.35% | $171.50 |
| Great-West International Index Fund I | 0.70% | $581.00 | 0.35% | $2.03 |
| Great-West Lifetime 2015 Fund II T1 | 0.96% | $512,654.00 | 0.44% | $2,255.6 |
| Great-West Lifetime 2025 Fund II T1 | 1.02% | $275,467.00 | 0.45% | $1,239.6 |
| Great-West Lifetime 2035 Fund II T1 | 1.07% | $125,115.00 | 0.45% | $563.02 |
| Great-West Lifetime 2045 Fund II T1 | 1.09% | $14,927.00 | 0.46% | $68.66 |
| Great-West Lifetime 2055 Fund II T1 | 1.10% | $196,968.00 | 0.46% | $906.05 |
| Great-West Loomis Sayles Bond Fund I | 0.90% | $42,980.00 | 0.35% | $150.43 |
| Great-West Mod Aggr Profile II Fund I | 1.05% | $1,685.00 | 0.35% | $5.90 |
| Great-West Mod Conserv Profile II Fund I | 0.88% | $437.00 | 0.35% | $1.53 |
| Great-West Moderate Profile II Fund I | 0.96% | $2,810.00 | 0.35% | $9.84 |
| Great-West S&P 500 Index Fund I | 0.60% | $5,894.00 | 0.35% | $20.63 |
| Great-West S&P Mid Cap 400 Index Fund I | 0.60% | $17,416.00 | 0.35% | $60.96 |
| Great-West S&P SmallCap 600 Index Fund I | 0.60% | $12,392.00 | 0.35% | $43.37 |
| Great-West T Rowe Price MidCap Gr Fund I | 1.03% | $55,603.00 | 0.35% | $194.61 |
| Heartland Value Plus | 1.14% | $50,229.00 | 0.50% | $251.15 |
| Janus Overseas Fund S | 0.93% | $75.00 | 0.50% | $0.38 |
| Perkins Mid Cap Value S | 0.99% | $340.00 | 0.50% | $1.70 |
| Lord Abbett Value Opportunities A | 1.17% | $59,373.00 | 0.40% | $237.49 |
| MFS Total Return A | 0.75% | $212.00 | 0.40% | $0.85 |
| MFS Utilities A | 0.97% | $72,902.00 | 0.40% | $291.61 |
| MFS Value Fund A | 0.88% | $57,493.00 | 0.40% | $229.97 |
| Oakmark International II | 1.33% | $14,761.00 | 0.55% | $81.19 |
| Oppenheimer International Bond A | 1.00% | $9.00 | 0.25% | $0.02 |
| PIMCO Total Return Admin | 0.71% | $40,621.00 | 0.25% | $101.55 |
| Royce Total Return K | 1.55% | $14,393.00 | 0.50% | $71.97 |

| | | | | |
|---|---|---|---|---|
| T. Rowe Price Blue Chip Growth Adv | 1.10% | $60,988.00 | 0.40% | $243.95 |
| Key Buaranteed Portfolio Fund | 0.35% | $19,222.00 | 0.25% | $48.06 |

Provider fees paid from investment funds **$7,863.04**

Provider fees deducted from participant accounts or paid by employer **$18,085.69**

Total Fees **$36,117.33**

(1)Fund Expenses include the fund's expense ratio plus any "wrap" fee charged by the provider. The expense ratio is determined through an annual calculation, where a fund's operating expenses are divided by the average dollar value of its assets under management. Fund expenses are taken out of a fund's assets and lower investor returns.

(2)Provider % includes revenue sharing paid to the provider by the investment fund or wrap fees added by the provider. These expenses lower investor returns.

**401(k) PLAN FEE DISCLOSURE FORM**
**For Services Provided by John Hancock**
**Total Plan Expenses**

**Role(s) performed by service provider**

☒ Custodian/Trustee ☒ Record Keeper ☒ Third-Party Administrator
☐ Investment Professional ☐ Other (Describe): ______

**Assumptions**

Total Plan Assets $2,515,565.67 Eligible Employees 6

**Annual Fees**

| Fund Name | Fund Expenses(1) | Fund Balance | Provider %(2) | Provider Fees |
|---|---|---|---|---|
| JH LS Bal Active Strategy | 1.53% | $212,825.98 | 1.10% | $2,341.0 |
| JH LS Con Active Strategy | 1.44% | $47,837.87 | 1.10% | $526.22 |
| DFA Emerging Markets Value | 1.67% | $7,956.45 | 1.10% | $87.52 |
| Royce Opportunity | 2.07% | $12,062.53 | 1.10% | $132.69 |
| Fidelity Adv Leveraged Co Stk | 1.67% | $7,042.77 | 1.10% | $77.47 |
| Oppenheimer Developing Mkt | 1.92% | $7,270.55 | 1.10% | $79.98 |
| Small Cap Growth Fund | 1.75% | $7,151.33 | 1.10% | $78.66 |
| DFA U.S. Small Cap Fund | 1.47% | $7,121.68 | 1.10% | $78.34 |
| EuroPacific Growth Fund | 1.59% | $7,330.96 | 1.10% | $80.64 |
| SMALLCAP World Fund | 1.81% | $7,243.41 | 1.10% | $79.68 |
| Vanguard Mid-Cap Growth ETF | 1.25% | $7,159.69 | 1.10% | $78.76 |
| John Hancock Disciplined Value | 1.36% | $258,058.26 | 1.10% | $2,838.6 |
| Vanguard Mid-Cap Value ETF | 1.25% | $9,035.37 | 1.10% | $99.39 |
| Capital Appreciation Fund | 1.39% | $1,136.53 | 1.10% | $12.50 |
| FT Founding Funds Allocation | 1.62% | $6,742.68 | 1.10% | $74.17 |
| Parnasus Core Equity Fund | 1.69% | $108,245.47 | 1.10% | $1,190.7 |
| American Balanced Fund | 1.39% | $1,318,405. | 1.10% | $14,502. |
| Active Bond Fund | 1.28% | $482,938.30 | 1.10% | $5,312.3 |

Provider fees paid from investment funds **$27,671.22**

Provider fees deducted from participant accounts or paid by employer **$0.00**

Total Fees **$27,671.22**

(1)Fund Expenses include the fund's expense ratio plus any "wrap" fee charged by the provider. The expense ratio is determined through an annual calculation, where a fund's operating expenses are divided by the average dollar value of its assets under management. Fund expenses are taken out of a fund's assets and lower investor returns.

(2)Provider % includes revenue sharing paid to the provider by the investment fund or wrap fees added by the provider. These expenses lower investor returns.

**401(k) PLAN FEE DISCLOSURE FORM**
**For Services Provided by John Hancock**
**Total Plan Expenses**

**Role(s) performed by service provider (check all that apply)**

☒ Custodian/Trustee ☒ Record Keeper ☒ Third-Party Administrator

☐ Investment Professional Other (Describe): ____________________

**Assumptions**

Total Plan Assets $7,142,370.97 Eligible Employees 61

**Plan Expenses**

| Fund Name | Fund Expenses[1] | Fund Balance | Provider %[2] | Provider Fees |
|---|---|---|---|---|
| JH LS Bal Active Strategy | 1.05% | $16,658.90 | 0.60% | $99.95 |
| Russell Equity Growth | 1.48% | $274,295.89 | 0.60% | $1,645.78 |
| Russell Growth | 1.46% | $551,723.78 | 0.60% | $3,310.34 |
| Russell Balanced | 1.41% | $1,262,368.3 | 0.60% | $7,574.21 |
| Russell Moderate | 1.30% | $56,225.02 | 0.60% | $337.35 |
| Russell Conservative | 1.23% | $11,562.02 | 0.60% | $69.37 |
| Vanguard Energy Fund | 0.91% | $306,366.12 | 0.60% | $1,838.20 |
| International Value Fund | 1.07% | $70,778.89 | 0.60% | $424.67 |
| DFA US Targeted Value Fund | 0.97% | $12,592.54 | 0.60% | $75.56 |
| T. Rowe Price Sci & Tech | 1.26% | $95,019.52 | 0.60% | $570.12 |
| Intl Small Cap Fund | 1.25% | $260.10 | 0.60% | $1.56 |
| Vanguard Small Cap Grow Index | 0.69% | $21,042.39 | 0.60% | $126.25 |
| Oppenheimer Developing Mkt | 1.42% | $173,091.11 | 0.60% | $1,038.55 |
| Small Cap Growth Fund | 1.23% | $6,704.45 | 0.60% | $40.23 |
| Intl Equity Index Fund | 0.72% | $66,389.83 | 0.60% | $398.34 |
| DFA U.S. Small Cap Fund | 0.97% | $10,981.55 | 0.60% | $65.89 |
| Mid Cap Stock Fund | 1.02% | $6,271.62 | 0.60% | $37.63 |
| Small Cap Index Fund | 0.73% | $17,839.52 | 0.60% | $107.04 |
| Science & Technology Fund | 1.20% | $8,264.81 | 0.60% | $49.59 |
| Franklin Small-Mid Growth | 1.06% | $13,413.68 | 0.60% | $80.48 |
| Oppenheimer Global | 1.23% | $63,242.02 | 0.60% | $379.45 |
| Templeton World | 1.15% | $8,019.42 | 0.60% | $48.12 |
| EuroPacifrc Growth Fund | 1.08% | $228,122.45 | 0.60% | $1,368.73 |
| Invesco Small Cap Growth | 1.07% | $70,821.12 | 0.60% | $424.93 |
| Real Est. Securities Fund | 0.89% | $102,565.79 | 0.60% | $615.39 |
| T. Rowe Price Health Sci | 1.22% | $293,436.10 | 0.60% | $1,760.62 |
| Financial Industries Fund | 1.09% | $79,529.56 | 0.60% | $477.18 |
| Mid Cap Index Fund | 0.66% | $43,581.78 | 0.60% | $261.49 |
| Small Cap Value Fund | 1.28% | $30,348.80 | 0.60% | $182.09 |
| Value Fund | 0.92% | $83,383.95 | 0.60% | $500.30 |
| John Hancock Disciplined Value | 0.85% | $9,046.32 | 0.60% | $54.28 |
| Blue Chip Growth Fund | 0.96% | $26,849.42 | 0.60% | $161.10 |
| Capital Appreciation Fund | 0.88% | $25,702.99 | 0.60% | $154.22 |
| The Growth Fund of America | 0.93% | $156,663.66 | 0.60% | $939.98 |
| Davis New York Venture | 0.99% | $59,479.56 | 0.60% | $356.88 |
| Total Stock Market Index Fund | 0.68% | $268,190.42 | 0.60% | $1,609.14 |
| Utilities Fund | 1.02% | $22,210.52 | 0.60% | $133.26 |
| T. Rowe Price Equity Inc | 1.11% | $116,765.88 | 0.60% | $700.60 |

| | | | | |
|---|---|---|---|---|
| 500 Index Fund | 0.63% | $50,698.42 | 0.60% | $304.19 |
| Investment Company of America | 0.90% | $148,120.22 | 0.60% | $888.72 |
| JPMorgan MidCap Value Fund | 1.26% | $18,435.53 | 0.60% | $110.61 |
| Franklin Mutual Beacon Fund | 1.18% | $282,481.10 | 0.60% | $1,694.89 |
| Mutual Global Discovery | 1.34% | $8,277.37 | 0.60% | $49.66 |
| American Balanced Fund | 0.89% | $134,627.88 | 0.60% | $807.77 |
| Fundamental Large Cap Value | 0.80% | $16,522.51 | 0.60% | $99.14 |
| High Yield Fund | 0.86% | $488,288.13 | 0.60% | $2,929.73 |
| PIMCO Real Return | 1.15% | $151,518.81 | 0.60% | $909.11 |
| T. Rowe Price Spectrum Inc | 1.12% | $469.72 | 0.60% | $2.82 |
| PIMCO Total Return | 1.05% | $195,276.46 | 0.60% | $1,171.66 |
| Money Market Fund | 0.66% | $912,450.05 | 0.60% | $5,474.70 |
| 3-Year Compound | Unknown | $65,394.90 | Unknown | Unknown |

| | |
|---|---|
| Provider fees paid from Fund Expenses | **$42,461.86** |
| Provider fees deducted from participant accounts or paid by employer | **$0.00** |
| Investment expenses (i.e., Fund Expenses not used to pay provider fees) | **$34,600.27** |
| Total ("all-in") plan expenses | **$77,062.13** |

(1)Fund Expenses include the fund's expense ratio plus any "wrap" fee charged by the provider. The expense ratio is determined through an annual calculation, where a fund's operating expenses are divided by the average dollar value of its assets under management. Fund Expenses lower investor returns.

(2)Provider % includes revenue sharing paid to the provider by the investment fund or wrap fees added by the provider. These expenses lower investor returns.

**401(k) PLAN FEE DISCLOSURE FORM**
**For Services Provided by John-Hancock**
**Total Plan Expenses**

**Role(s) performed by service provider**

☒ Custodian/Trustee ☒ Record Keeper ☒ Third-Party Administrator
☐ Investment Professional ☐ Other (Describe): ____________________

**Assumptions**

Total Plan Assets $806,562.17 Eligible Employees 9

**Annual Fees**

| Fund Name | Fund Expenses[1] | Fund Balance | Provider %[2] | Provider Fees |
|---|---|---|---|---|
| JH Ret To 2020 Managed Port | 1.28% | $212,605.78 | 1.10% | $2,338.6 |
| JH Ret To 2025 Managed Port | 1.28% | $266,680.41 | 1.10% | $2,933.4 |
| JH Ret To 2035 Managed Port | 1.27% | $33,885.08 | 1.10% | $372.74 |
| JH Ret To 2040 Managed Port | 1.28% | $94,756.49 | 1.10% | $1,042.3 |
| JH Ret To 2045 Managed Port | 1.28% | $18,466.50 | 1.10% | $203.13 |
| JH Ret To 2050 Managed Port | 1.28% | $7,399.64 | 1.10% | $81.40 |
| JH LS Bal Active Strategy | 1.53% | $52,104.24 | 1.10% | $573.15 |
| JH LS Grow Active Strategy | 1.57% | $36,460.14 | 1.10% | $401.06 |
| JH LS Agg Active Strategy | 1.61% | $9,297.59 | 1.10% | $102.27 |
| Strategic Income Opp Fund | 1.38% | $1,845.00 | 1.10% | $20.30 |
| High Yield Fund | 1.36% | $1,997.43 | 1.10% | $21.97 |
| Parnassus Core Equity Fund | 1.50% | $4,889.73 | 1.10% | $53.79 |
| Pru Jennison Mid Growth Fund | 1.62% | $2,303.72 | 1.10% | $25.34 |
| Total Stock Market Index Fund | 1.16% | $131.69 | 1.10% | $1.45 |
| Vanguard Growth Index Fund | 1.19% | $23,760.59 | 1.10% | $261.37 |
| Blue Chip Growth Fund | 1.46% | $4,657.32 | 1.10% | $51.23 |
| John Hancock Disciplined Value | 1.36% | $4,756.04 | 1.10% | $52.32 |
| Vanguard Small Cap Value Index | 1.19% | $23,820.33 | 1.10% | $262.02 |
| Oppenheimer Intl Growth Fund | 1.74% | $2,444.51 | 1.10% | $26.89 |
| EuroPacific Growth Fund | 1.59% | $1,969.62 | 1.10% | $21.67 |
| Small Cap Index Fund | 1.26% | $69.58 | 1.10% | $0.77 |
| DFA U.S. Small Cap Fund | 1.47% | $2,177.94 | 1.10% | $23.96 |
| DFA Emerging Markets Value | 1.67% | $82.80 | 1.10% | $0.91 |

Provider fees paid from investment funds **$8,872.18**

Provider fees deducted from participant accounts or paid by employer **$1,500.00**

Total Fees **$10,372.18**

[1]Fund Expenses include the fund's expense ratio plus any "wrap" fee charged by the provider. The expense ratio is determined through an annual calculation, where a fund's operating expenses are divided by the average dollar value of its assets under management. Fund expenses are taken out of a fund's assets and lower investor returns.

[2]Provider % includes revenue sharing paid to the provider by the investment fund or wrap fees added by the provider. These expenses lower investor returns.

**401(k) PLAN FEE DISCLOSURE FORM**
**For Services Provided by Mass Mutual**
**Total Plan Expenses**

**Role(s) performed by service provider (check all that apply)**

☒ Custodian/Trustee ☒ Record Keeper ☒ Third-Party Administrator

☐ Investment Professional ☐ Other (Describe): ____________________

**Assumptions**

Total Plan Assets $1,339,478.00 Eligible Employees 12

**Plan Expenses**

| Fund Name | Fund Expenses(1) | Fund Balance | Provider %(2) | Provider Fees |
|---|---|---|---|---|
| Alger Mid Cap Growth Institutional I | 2.00% | $5,879.00 | 1.25% | $73.49 |
| American Century Heritage A | 1.95% | $2,135.00 | 1.30% | $27.76 |
| American Century Mid Cap Value A | 1.96% | $296.00 | 1.20% | $3.55 |
| American Century Prime Money Mkt A | 1.53% | $44,303.00 | 0.70% | $310.12 |
| American Funds AMCAP R3 | 1.73% | $2,305.00 | 1.35% | $31.12 |
| American Funds American Balanced R3 | 1.64% | $762.00 | 1.35% | $10.29 |
| American Funds Europacific Growth R3 | 1.84% | $173,859.00 | 1.35% | $2,347.1 |
| American Funds Growth Fund of America R3 | 1.68% | $162,031.00 | 1.35% | $2,187.4 |
| American Funds New Perspective R3 | 1.80% | $102,616.00 | 1.35% | $1,385.3 |
| American Funds Washington Mutual R3 | 1.65% | $37,573.00 | 1.35% | $507.24 |
| Davis NY Venture A | 1.59% | $121,342.00 | 1.08% | $1,310.0 |
| Franklin Strategic Income A | 2.91% | $895.00 | 2.39% | $21.40 |
| Goldman Sachs Small Cap Eq Insights A | 1.97% | $90,558.00 | 1.25% | $1,131.9 |
| Goldman Sachs Small Cap Value A | 2.05% | $13,234.00 | 1.25% | $165.43 |
| Hartford High Yield HLS IB | 1.70% | $4,093.00 | 1.20% | $49.12 |
| Hartford MidCap HLS IB | 1.65% | $34,827.00 | 1.20% | $417.92 |
| HIMCO VIT Index IA | 1.03% | $65,157.00 | 0.85% | $553.83 |
| Invesco Small Cap Growth A | 1.91% | $7,527.00 | 1.25% | $94.09 |
| Lord Abbett Affiliated P | 1.64% | $35,928.00 | 1.40% | $502.99 |
| Lord Abbett Mid Cap Stock P | 2.03% | $108,498.00 | 1.40% | $1,518.9 |
| MFS Mid Cap Growth A | 1.90% | $1,480.00 | 1.33% | $19.68 |
| Nuveen Equity Index A | 1.32% | $63,314.00 | 1.20% | $759.77 |
| Nuveen Mid Cap Index A | 1.44% | $62,144.00 | 1.20% | $745.73 |
| Nuveen Small Cap Index A | 1.57% | $62,143.00 | 1.10% | $683.57 |
| Oppenheimer International Bond A | 1.70% | $20,989.00 | 1.25% | $262.36 |
| PIMCO Real Return A | 1.55% | $1,007.00 | 1.10% | $11.08 |
| PIMCO Total Return A | 1.55% | $32,865.00 | 1.10% | $361.52 |
| Royce Small-Cap Value K | 2.32% | $41,183.00 | 1.20% | $494.20 |
| Royce Total Return K | 2.25% | $40,535.00 | 1.20% | $486.42 |

Provider fees paid from Fund Expenses **$16,473.52**

Provider fees deducted from participant accounts or paid by employer **$0.00**

| | |
|---|---|
| Investment expenses (i.e., Fund Expenses not used to pay provider fees) | **$6,554.68** |
| Total ("all-in") plan expenses | **$23,028.20** |

[(1)]Fund Expenses include the fund's expense ratio plus any "wrap" fee charged by the provider. The expense ratio is determined through an annual calculation, where a fund's operating expenses are divided by the average dollar value of its assets under management. Fund Expenses lower investor returns.

[(2)]Provider % includes revenue sharing paid to the provider by the investment fund or wrap fees added by the provider. These expenses lower investor returns.

**401(k) PLAN FEE DISCLOSURE FORM**
**For Services Provided by Metlife**
**Total Plan Expenses**

**Role(s) performed by service provider**

| | | |
|---|---|---|
| ☒ Custodian/Trustee | ☒ Record Keeper | ☒ Third-Party Administrator |
| ☐ Investment Professional | ☐ Other (Describe): | |

**Assumptions**

Total Plan Assets $2,542,811.00 Eligible Employees 160

**Annual Fees**

| Fund Name | Fund Expenses(1) | Fund Balance | Provider %(2) | Provider Fees |
|---|---|---|---|---|
| American Funds EuroPacific Gr R3 | 1.52% | $86,255.00 | 1.03% | $888.43 |
| Columbia Large Cap Index A | 0.83% | $260,515.00 | 0.73% | $1,901.7 |
| Dreyfus Appreciation Fund | 1.32% | $45,668.00 | 0.77% | $351.71 |
| Goldman Sachs Small Value Fund - A | 1.78% | $112,812.00 | 0.93% | $1,049.1 |
| MFS Value A | 1.28% | $93,568.00 | 0.78% | $729.83 |
| Oakmark Equity & Income II | 1.48% | $200,306.00 | 0.93% | $1,862.8 |
| PIMCO Real Return R | 1.50% | $20,733.00 | 1.03% | $213.55 |
| PIMCO Total Return R | 1.48% | $179,675.00 | 1.03% | $1,850.6 |
| T. Rowe Price Blue Chip Growth Adv | 1.38% | $245,786.00 | 0.78% | $1,917.1 |
| T. Rowe Price Retirement 2005 Adv | 1.22% | $4,145.00 | 0.78% | $32.33 |
| T. Rowe Price Retirement 2010 Adv | 1.22% | $7,491.00 | 0.78% | $58.43 |
| T. Rowe Price Retirement 2015 Adv | 1.26% | $85,174.00 | 0.78% | $664.36 |
| T. Rowe Price Retirement 2020 Adv | 1.30% | $108,675.00 | 0.78% | $847.67 |
| T. Rowe Price Retirement 2025Adv | 1.33% | $145,866.00 | 0.78% | $1,137.7 |
| T. Rowe Price Retirement 2030 Adv | 1.36% | $74,727.00 | 0.78% | $582.87 |
| T. Rowe Price Retirement 2035 Adv | 1.38% | $80,447.00 | 0.78% | $627.49 |
| T. Rowe Price Retirement 2040 Adv | 1.39% | $62,883.00 | 0.78% | $490.49 |
| T. Rowe Price Retirement 2045 Adv | 1.39% | $100,267.00 | 0.78% | $782.08 |
| T. Rowe Price Retirement 2050 Adv | 1.39% | $51,331.00 | 0.78% | $400.38 |
| T. Rowe Price Retirement 2055 Adv | 1.39% | $48,090.00 | 0.78% | $375.10 |
| Touchstone Mid Cap Growth A | 1.76% | $183,768.00 | 0.88% | $1,617.1 |
| Vanguard Mid Cap Index Adm | 1.34% | $50,986.00 | 0.38% | $193.75 |

| | |
|---|---|
| Provider fees paid from investment funds | **$18,574.91** |
| Provider fees deducted from participant accounts or paid by employer | **$0.00** |
| Total Fees | **$18,574.91** |

(1)Fund Expenses include the fund's expense ratio plus any "wrap" fee charged by the provider. The expense ratio is determined through an annual calculation, where a fund's operating expenses are divided by the average dollar value of its assets under management. Fund expenses are taken out of a fund's assets and lower investor returns.

(2)Provider % includes revenue sharing paid to the provider by the investment fund or wrap fees added by the provider. These expenses lower investor returns.

# 401(k) PLAN FEE DISCLOSURE FORM
## For Services Provided by Mutual of Omaha
## Total Plan Expenses

**Role(s) performed by service provider (check all that apply)**

☒ Custodian/Trustee ☒ Record Keeper ☒ Third-Party Administrator

☒ Investment Professional ☐ Other (Describe): ____________________

**Assumptions**

Total Plan Assets $766,834.88 Eligible Employees 71

**Plan Expenses**

| Fund Name | Fund Expenses[1] | Fund Balance | Provider %[2] | Provider Fees |
|---|---|---|---|---|
| Bond Index Fund | 1.92% | $26,824.69 | 1.85% | $496.26 |
| Emerging Markets Index Fund | 2.05% | $16,774.41 | 1.85% | $310.33 |
| Growth Stock Index Fund | 1.90% | $55,102.58 | 1.85% | $1,019.40 |
| Guaranteed Account | 1.50% | $48,387.86 | 1.50% | $725.82 |
| Harbor International Fund | 2.60% | $12,234.55 | 1.85% | $226.34 |
| International Stock Index Fund | 1.94% | $2,985.81 | 1.85% | $55.24 |
| Mid Cap Stock Index Fund | 1.91% | $28,750.86 | 1.85% | $531.89 |
| Mutual Directions 3 | 2.19% | $24,871.98 | 1.95% | $485.00 |
| Mutual Directions 4 | 2.28% | $46,170.96 | 1.95% | $900.33 |
| Mutual Directions 5 | 2.36% | $31,711.13 | 1.95% | $618.37 |
| PIMCO Total Return Fund | 2.31% | $25,579.31 | 1.85% | $473.22 |
| Prudential Small-Cap Value Fund | 2.53% | $13,357.40 | 1.85% | $247.11 |
| Small Cap Stock Index Fund | 1.91% | $24,599.23 | 1.85% | $455.09 |
| Small Company Fund | 2.45% | $14,946.32 | 1.85% | $276.51 |
| Stadion Growth Portfolio | 2.61% | $30,522.84 | 1.80% | $549.41 |
| Stadion Max Growth Portfolio | 2.61% | $93,345.57 | 1.80% | $1,680.22 |
| Stadion Moderate Growth Portfolio | 2.61% | $14,978.79 | 1.80% | $269.62 |
| Stock Market Index Fund | 1.88% | $24,709.10 | 1.85% | $457.12 |
| Value Stock Index Fund | 1.90% | $48,222.70 | 1.85% | $892.12 |
| Vanguard Target Retirement 2025 Fund | 2.02% | $27,225.24 | 1.85% | $503.67 |
| Vanguard Target Retirement 2030 Fund | 2.02% | $37,016.04 | 1.85% | $684.80 |
| Vanguard Target Retirement 2035 Fund | 2.03% | $71,000.37 | 1.85% | $1,313.51 |
| Vanguard Target Retirement 2040 Fund | 2.03% | $16,938.59 | 1.85% | $313.36 |
| Vanguard Target Retirement 2045 Fund | 2.03% | $23,624.85 | 1.85% | $437.06 |
| Vanguard Target Retirement 2050 Fund | 2.03% | $1,805.89 | 1.85% | $33.41 |
| Vanguard Target Retirement 2060 Fund | 2.03% | $5,147.81 | 1.85% | $95.23 |

| | |
|---|---|
| Provider fees paid from Fund Expenses | **$14,050.42** |
| Provider fees deducted from participant accounts or paid by employer | **$1,425.00** |
| Investment expenses (i.e., Fund Expenses not used to pay provider fees) | **$2,325.31** |
| Total ("all-in") plan expenses | **$17,845.73** |

[1] Fund Expenses include the fund's expense ratio plus any "wrap" fee charged by the provider. The expense ratio is determined through an annual calculation, where a fund's operating expenses are divided by the average dollar value of its assets under management. Fund Expenses lower investor returns.

[2] Provider % includes revenue sharing paid to the provider by the investment fund or wrap fees added by the provider. These expenses lower investor returns.

**401(k) PLAN FEE DISCLOSURE FORM**
**For Services Provided by OneAmerica**
**Total Plan Expenses**

**Role(s) performed by service provider (check all that apply)**

☒ Custodian/Trustee ☒ Record Keeper ☒ Third-Party Administrator

☐ Investment Professional ☐ Other (Describe): ______________________

**Assumptions**

Total Plan Assets $3,654,269.01 Eligible Employees 47

**Plan Expenses**

| Fund Name | Fund Expenses(1) | Fund Balance | Provider %(2) | Provider Fees |
|---|---|---|---|---|
| AUL Stable Value Account (STVL) | 0.00% | $267,836.69 | 0.00% | $0.00 |
| AmerCent Infl-Adj Bond A (ACIB) | 0.72% | $241,424.30 | 0.50% | $1,207.12 |
| Prudential Total Return Bond A (PBAA) | 0.83% | $65,349.41 | 0.55% | $359.42 |
| AmerCent Eqty Inc A (AEIA) | 1.18% | $156,966.43 | 0.60% | $941.80 |
| AmerFds Fdamental Invs R (AFFD) | 0.93% | $21,227.71 | 0.60% | $127.37 |
| SSgA S&P 500 Indx I (SS N) | 0.65% | $800,501.53 | 0.60% | $4,803.01 |
| AmerCent Grth A (ACGR) | 1.22% | $116,850.23 | 0.60% | $701.10 |
| TRowePrice Grth Stock R (TLCG) | 1.19% | $22,630.01 | 0.65% | $147.10 |
| RidgeWorth MidCapVal Eqty A (RAMC) | 1.40% | $65,100.29 | 0.60% | $390.60 |
| SSgA S&P MidCap 400 Indx A (SS4N) | 0.70% | $411,526.87 | 0.62% | $2,551.47 |
| Prudential Jenn Midcap Grth A (JMCA) | 1.05% | $139,079.59 | 0.55% | $764.94 |
| GoldmanSachs SmCapVal Svc (GSSL) | 1.45% | $118,517.53 | 0.60% | $711.11 |
| SSgA Russell SmCap Indx I (SS N) | 0.70% | $93,673.36 | 0.62% | $580.77 |
| Lord Abbett Dev Grth R (LDGG) | 1.23% | $41,014.24 | 0.65% | $266.59 |
| Oppenheimer Dev Mkts R (ODMF) | 1.57% | $114,097.42 | 0.59% | $673.17 |
| AmerFds EuroPac Grth R (AFEG) | 1.14% | $217,504.89 | 0.60% | $1,305.03 |
| Prudential Global RealEstate A (PGAA) | 1.26% | $121,354.48 | 0.55% | $667.45 |
| AmerCent One Choice 2020 A (AC20) | 1.04% | $113,228.77 | 0.60% | $679.37 |
| AmerCent One Choice 2025 A (AC25) | 1.07% | $36,930.72 | 0.60% | $221.58 |
| AmerCent One Choice 2030 A (AC30) | 1.09% | $25,583.47 | 0.60% | $153.50 |
| AmerCent One Choice 2035 A (AC35) | 1.12% | $110,767.66 | 0.60% | $664.61 |
| AmerCent One Choice 2040 A (AC40) | 1.15% | $96,229.28 | 0.60% | $577.38 |
| AmerCent One Choice 2045 A (AC45) | 1.19% | $86,923.72 | 0.60% | $521.54 |
| AmerCent One Choice 2050 A (AC50) | 1.20% | $36,113.66 | 0.60% | $216.68 |
| AmerCent One Choice 2055 A (AC55) | 1.21% | $18,214.68 | 0.60% | $109.29 |
| AmerCent One Choice In Ret A (ACLS) | 1.01% | $115,622.07 | 0.60% | $693.73 |

| | |
|---|---|
| Provider fees paid from Fund Expenses | **$20,035.73** |
| Provider fees deducted from participant accounts or paid by employer | **$3,000.00** |
| Investment expenses (i.e., Fund Expenses not used to pay provider fees) | **$12,178.52** |
| Total ("all-in") plan expenses | **$35,214.25** |

(1)Fund Expenses include the fund's expense ratio plus any "wrap" fee charged by the provider. The expense ratio is determined through an annual calculation, where a fund's operating expenses are divided by the average dollar value of its assets under management. Fund Expenses lower investor returns.

(2)Provider % includes revenue sharing paid to the provider by the investment fund or wrap fees added by the provider. These expenses lower investor returns.

**401(k) PLAN FEE DISCLOSURE FORM**
**For Services Provided by Principal**
**Total Plan Expenses**

**Role(s) performed by service provider**

☒ Custodian/Trustee ☒ Record Keeper ☒ Third-Party Administrator
☒ Investment Professional Other (Describe): ____________________

**Assumptions**

Total Plan Assets $9,467,256.00 Eligible Employees 313

**Annual Fees**

| Fund Name | Fund Expenses[1] | Fund Balance | Provider %[2] | Provider Fees |
|---|---|---|---|---|
| Guaranteed Interest Account 5 year§ | 0.65% | $606,412.00 | 0.65% | $3,941.68 |
| Morley Stable Value I Fund | 1.06% | $382,805.00 | 0.50% | $1,914.03 |
| PIMCO Total Return R Fund | 1.10% | $645,559.00 | 0.65% | $4,196.13 |
| BlackRock Equity Dividend R Fund | 1.29% | $263,506.00 | 0.75% | $1,976.30 |
| Principal LargeCap Blend II Separate Account-R4 | 1.12% | $697,895.00 | 0.59% | $4,117.58 |
| Principal LargeCap S&P 500 Index Separate Account-R6 | 0.53% | $859,757.00 | 0.48% | $4,126.83 |
| Principal LargeCap Value III Separate Account-R4 | 1.17% | $23,176.00 | 0.56% | $129.79 |
| Principal LifeTime Strategic Income Separate Account-R4 | 1.01% | $109,153.00 | 0.62% | $676.75 |
| Principal LifeTime 2010 Separate Account-R4 | 1.05% | $22,147.00 | 0.63% | $139.53 |
| Principal LifeTime 2015 Separate Account-R4 | 1.07% | $44,913.00 | 0.63% | $282.95 |
| Principal LifeTime 2020 Separate Account-R4 | 1.09% | $474,452.00 | 0.64% | $3,036.49 |
| Principal LifeTime 2025 Separate Account-R4 | 1.11% | $72,584.00 | 0.64% | $464.54 |
| Principal LifeTime 2030 Separate Account-R4 | 1.13% | $515,130.00 | 0.65% | $3,348.35 |
| Principal LifeTime 2035 Separate Account-R4 | 1.14% | $44,096.00 | 0.66% | $291.03 |
| Principal LifeTime 2040 Separate Account-R4 | 1.16% | $441,296.00 | 0.68% | $3,000.81 |
| Principal LifeTime 2045 Separate Account-R4 | 1.17% | $75,860.00 | 0.66% | $500.68 |
| Principal LifeTime 2050 Separate Account-R4 | 1.16% | $223,294.00 | 0.68% | $1,518.40 |
| Principal LifeTime 2055 Separate Account-R4 | 1.22% | $20,767.00 | 0.67% | $139.14 |
| Principal LifeTime 2060 Separate Account-R4 | 1.30% | $567.00 | 0.68% | $3.86 |
| Principal MidCap Value I Separate Account-R4 | 1.33% | $1,582,668. | 0.67% | $10,603.88 |
| Principal LargeCap Growth II Separate Account-R4 | 1.25% | $477,480.00 | 0.64% | $3,055.87 |
| Principal SmallCap S&P 600 Index Separate Account-R4 | 0.53% | $759,374.00 | 0.48% | $3,645.00 |
| Principal Diversified International Separate Account-R4 | 1.28% | $283,745.00 | 0.88% | $2,496.96 |
| Principal International SmallCap Separate Account-R4 | 1.68% | $840,620.00 | 0.99% | $8,322.14 |

Provider fees paid from investment funds **$61,928.69**

Provider fees deducted from participant accounts or paid by employer **$2,735.00**

Total Fees **$64,663.69**

[1]Fund Expenses include the fund’s expense ratio plus any “wrap” fee charged by the provider. The expense ratio is determined through an annual calculation, where a fund's operating expenses are divided by the average dollar value of its assets under management. Fund expenses are taken out of a fund's assets and lower investor returns.

[2]Provider % includes revenue sharing paid to the provider by the investment fund or wrap fees added by the provider. These expenses lower investor returns.

**401(k) PLAN FEE DISCLOSURE FORM**
**For Services Provided by The Hartford**
**Total Plan Expenses**

**Role(s) performed by service provider**

☒ Custodian/Trustee ☒ Record Keeper ☒ Third-Party Administrator

☒ Investment Professional ☐ Other (Describe): ______________________

**Assumptions**

Total Plan Assets $1,565,921.00 Eligible Employees 11

**Plan Expenses**

| Fund Name | Fund Expenses[(1)] | Fund Balance | Provider %[(2)] | Provider Fees |
|---|---|---|---|---|
| FRANKLIN MUTUAL GLOBAL DISC R | 1.48% | $48,098.00 | 0.72% | $348.59 |
| PIMCO TOTAL RETURN R | 1.10% | $3,449.00 | 0.65% | $22.42 |
| PUTNAM HIGH YIELD ADVANTAGE R | 1.28% | $499.00 | 0.75% | $3.74 |
| AB DISCOVERY VALUE R | 1.54% | $30,559.00 | 0.80% | $244.47 |
| JPMORGAN SMARTRETIREMENT 2020 R2 | 1.11% | $219,661.00 | 0.80% | $1,757.29 |
| HARTFORD SMALL COMPANY R3 | 1.55% | $110.00 | 0.85% | $0.94 |
| JPMORGAN SMARTRETIREMENT 2025 R2 | 1.14% | $53,689.00 | 0.80% | $429.51 |
| HARTFORD MIDCAP R3 | 1.47% | $10,150.00 | 0.85% | $86.28 |
| HIMCO VIT INDEX IB | 0.58% | $444,840.00 | 0.40% | $1,779.36 |
| ALLIANZGI NFJ DIVIDEND VALUE R | 1.30% | $18,418.00 | 0.75% | $138.14 |
| AMERICAN CENTURY EQUITY INCOME R | 1.43% | $111,089.00 | 0.85% | $944.26 |
| JPMORGAN SMARTRETIREMENT 2040 R2 | 1.19% | $58,210.00 | 0.80% | $465.68 |
| PIONEER STRATEGIC INCOME R | 1.42% | $53,482.00 | 0.80% | $427.86 |
| AMERICAN FUNDS GR FD OF AMER R1 | 1.43% | $365,424.00 | 1.10% | $4,019.66 |
| NUVEEN MID CAP INDEX R3 | 0.99% | $23,288.00 | 0.75% | $174.66 |
| LORD ABBETT DEVELOPING GROWTH R3 | 1.23% | $20,989.00 | 0.75% | $157.42 |
| FRANKLIN MODERATE ALLOCATION R | 1.50% | $101,727.00 | 0.66% | $670.36 |
| OPPENHEIMER DEVELOPING MARKETS R | 1.57% | $2,239.00 | 0.80% | $17.91 |

| | |
|---|---|
| Provider fees paid from Fund Expenses | **$11,688.53** |
| Provider fees deducted from participant accounts or paid by employer | **$2,500.00** |
| Investment expenses (i.e., Fund Expenses not used to pay provider fees) | **$5,875.01** |
| Total ("all-in") plan expenses | **$20,063.55** |

[(1)]Fund Expenses include the fund's expense ratio plus any "wrap" fee charged by the provider. The expense ratio is determined through an annual calculation, where a fund's operating expenses are divided by the average dollar value of its assets under management. Fund Expenses lower investor returns.

[(2)]Provider % includes revenue sharing paid to the provider by the investment fund or wrap fees added by the provider. These expenses lower investor returns.

**401(k) PLAN FEE DISCLOSURE FORM**
**For Services Provided by Transamerica**
**Total Plan Expenses**

**Role(s) performed by service provider**

☐ Custodian/Trustee ☐ Record Keeper ☐ Third-Party Administrator
☐ Investment Professional Other (Describe): ____________________

**Assumptions**

Total Plan Assets $2,706,647.28 Eligible Employees 20

**Annual Fees**

| Fund Name | Fund Expenses[(1)] | Fund Balance | Provider %[(2)] | Provider Fees |
|---|---|---|---|---|
| Transamerica Stable Value Core Account | 1.75% | $91,259.12 | 1.75% | $1,597.0 |
| PIMCO Low Duration Ret Acct | 1.36% | $85,505.95 | 0.90% | $769.55 |
| Loomis Sayles Investment Grade Bond Ret Acct | 1.15% | $183,959.73 | 0.90% | $1,655.6 |
| Loomis Sayles Bond Ret Acct | 1.25% | $187,784.95 | 0.91% | $1,708.8 |
| Morgan Stanley Growth Ret Acct | 1.10% | $16,415.93 | 0.80% | $131.33 |
| BlackRock Equity Dividend Ret Acct | 1.41% | $566,923.58 | 0.90% | $5,102.3 |
| Fidelity Advisor New Insights Ret Acct | 1.56% | $521,108.24 | 0.90% | $4,689.9 |
| Vanguard REIT Index Ret Acct | 1.02% | $14,014.53 | 0.90% | $126.13 |
| Lord Abbett Developing Growth Ret Acct | 1.54% | $4,946.24 | 0.90% | $44.52 |
| Neuberger Berman Genesis Ret Acct | 1.64% | $759.55 | 0.90% | $6.84 |
| Fidelity Advisor Leveraged Company Stock Ret | 1.60% | $188,965.04 | 0.90% | $1,700.6 |
| SSgA S&P Mid Cap Index Ret Acct | 0.94% | $15,245.42 | 0.86% | $131.11 |
| Morgan Stanley Growth Opportunities Ret Acct | 1.10% | $133,024.57 | 0.70% | $931.17 |
| TransAmerica Small/Mid Cap Value Ret Acct | 1.38% | $64,297.20 | 0.98% | $630.11 |
| Oppenheimer Global Ret Acct | 1.36% | $144,394.42 | 0.91% | $1,313.9 |
| Prudential Jennison Natural Resources Ret Acct | 1.58% | $3,066.33 | 0.90% | $27.60 |
| BlackRock Health Sciences Ops Ret Acct | 1.66% | $10,494.52 | 0.90% | $94.45 |
| Franklin Utilities Ret Acct | 1.23% | $57,270.43 | 0.90% | $515.43 |
| Janus Balanced Ret Acct | 1.40% | $11,894.94 | 0.90% | $107.05 |
| Manning & Napier Pro-Mix Moderate Term Ret | 1.45% | $183,475.54 | 0.90% | $1,651.2 |
| Manning & Napier Pro-Mix Extended Term Ret | 1.45% | $83,571.60 | 0.90% | $752.14 |
| Vanguard Target Retirement 2025 | 1.08% | $11,748.02 | 0.90% | $105.73 |
| Vanguard Target Retirement 2030 | 1.08% | $15,732.61 | 0.90% | $141.59 |
| Vanguard Target Retirement 2035 | 1.09% | $67,014.90 | 0.90% | $603.13 |
| Vanguard Target Retirement 2045 | 1.09% | $42,294.13 | 0.90% | $380.65 |
| Vanguard Target Retirement 2050 | 1.09% | $1,479.79 | 0.90% | $13.32 |

| | |
|---|---|
| Provider fees paid from investment funds | **$24,931.62** |
| Provider fees deducted from participant accounts or paid by employer | **$0.00** |
| Total Fees | **$24,931.62** |

[(1)]Fund Expenses include the fund's expense ratio plus any "wrap" fee charged by the provider. The expense ratio is determined through an annual calculation, where a fund's operating expenses are divided by the average dollar value of its assets under management. Fund expenses are taken out of a fund's assets and lower investor returns.

(2)Provider % includes revenue sharing paid to the provider by the investment fund or wrap fees added by the provider. These expenses lower investor returns.

**401(k) PLAN FEE DISCLOSURE FORM**
**For Services Provided by Voya**
**Total Plan Expenses**

**Role(s) performed by service provider (check all that apply)**

☒ Custodian/Trustee ☒ Record Keeper ☒ Third-Party Administrator

☐ Investment Professional ☐ Other (Describe): ____________________

**Assumptions**

Total Plan Assets $1,625,825.48 Eligible Employees 7

**Plan Expenses**

| Fund Name | Fund Expenses[1] | Fund Balance | Provider %[2] | Provider Fees |
|---|---|---|---|---|
| ALLIANZGI NFJ DIVIDEND VALUE FD INST | 1.76% | $140,152.79 | 1.15% | $1,611.7 |
| ALLIANZGI NFJ SMALL-CAP VALUE FND R | 1.89% | $88,771.59 | 1.20% | $1,065.2 |
| AMERICAN FUNDS EUROPACIFIC R3 | 1.58% | $133,564.93 | 1.10% | $1,469.2 |
| AMERICAN FUNDS GROWTH FND R3 | 1.43% | $380,822.55 | 1.10% | $4,189.0 |
| COLUMBIA HIGH YIELD BOND FUND K | 1.75% | $53,377.67 | 1.15% | $613.84 |
| EATON VANCE LARGE-CAP VALUE FUND R | 1.66% | $184,203.74 | 1.15% | $2,118.3 |
| FIDELITY ADV NEW INSIGHTS FUND I | 1.57% | $55,453.43 | 1.15% | $637.71 |
| VOYA FIXED ACCOUNT | 0.00% | $10,992.91 | 0.00% | $0.00 |
| VOYA GNMA INCOME FUND A | 1.37% | $243,039.44 | 0.87% | $2,114.4 |
| VOYA INTERMEDIATE BOND PORT I | 1.39% | $64,620.50 | 1.07% | $691.44 |
| VY BARON GROWTH PORT I | 1.78% | $270,825.93 | 1.16% | $3,141.5 |

| | |
|---|---|
| Provider fees paid from Fund Expenses | **$17,652.64** |
| Provider fees deducted from participant accounts or paid by employer | **$0.00** |
| Investment expenses (i.e., Fund Expenses not used to pay provider fees) | **$7,959.00** |
| Total ("all-in") plan expenses | **$25,611.64** |

[1]Fund Expenses include the fund's expense ratio plus any "wrap" fee charged by the provider. The expense ratio is determined through an annual calculation, where a fund's operating expenses are divided by the average dollar value of its assets under management. Fund Expenses lower investor returns.

[2]Provider % includes revenue sharing paid to the provider by the investment fund or wrap fees added by the provider. These expenses lower investor returns.

# 401(k) PLAN FEE DISCLOSURE FORM
## For Services Provided by Voya Retirement Plans
## Total Plan Expenses

**Role(s) performed by service provider**

☒ Custodian/Trustee ☒ Record Keeper ☒ Third-Party Administrator
☒ Investment Professional Other (Describe): ______

**Assumptions**

Total Plan Assets $5,879,994.58 Eligible Employees 180

**Annual Fees**

| Fund Name | Fund Expenses[1] | Fund Balance | Provider %[2] | Provider Fees |
|---|---|---|---|---|
| 0079 Invesco V.I. Core Equity Fund SI | 1.55% | $635,149.67 | 0.90% | $5,716.35 |
| 0133 Fidelity VIP Contrafund Port I | 1.29% | $244,199.71 | 0.86% | $2,100.12 |
| 0429 VY JPMorgan Mid Cap Val Port I | 1.42% | $232,562.07 | 0.86% | $2,000.03 |
| 0430 VY Baron Growth Port I | 1.55% | $13,185.50 | 0.86% | $113.40 |
| 0433 Voya Aggregate Bond Portfolio I | 1.14% | $531,279.30 | 0.86% | $4,569.00 |
| 0484 American Funds Income Fnd R3 | 1.09% | $852,104.55 | 0.80% | $6,816.84 |
| 0487 American Funds Growth Fnd R3 | 1.13% | $228,257.73 | 0.80% | $1,826.06 |
| 0496 American Funds EuroPacific R3 | 1.29% | $69,840.04 | 0.80% | $558.72 |
| 0628 Voya Money Mkt Fnd A (Holding Acct) | 0.67% | $19.64 | 0.17% | $0.03 |
| 0648 Voya Fixed Account | 0.43% | $1,597,198. | 0.43% | $6,867.95 |
| 0747 Voya Solution 2015 Portfolio Srv | 1.33% | $23,774.39 | 0.92% | $218.72 |
| 0759 Voya Solution 2025 Portfolio Srv | 1.40% | $329,657.46 | 0.92% | $3,032.85 |
| 0762 Voya Solution 2035 Portfolio Srv | 1.47% | $46,023.30 | 0.92% | $423.41 |
| 0765 Voya Solution 2045 Portfolio Srv | 1.49% | $74,071.84 | 0.92% | $681.46 |
| 0768 Voya Solution Income Prt Srv | 1.28% | $1,956.81 | 0.92% | $18.00 |
| 0778 VY FMR Diversified Md Cp Port Srv | 1.19% | $131,114.46 | 0.83% | $1,088.25 |
| 0936 Lazard Emerging Mkts Eqty Port Opn | 1.87% | $341,868.89 | 0.90% | $3,076.82 |
| 1016 Voya Global Real Estate Fund A | 1.29% | $87,585.01 | 0.70% | $613.10 |
| 1167 Voya Solution 2055 Portfolio Srv | 1.49% | $411.53 | 0.92% | $3.79 |
| 1332 Pioneer Equity Income Fund Y | 1.39% | $196,980.32 | 0.85% | $1,674.33 |
| 1560 Voya Russell Mid Cap Index Port I | 0.83% | $32,743.07 | 0.70% | $229.20 |
| 1568 Lord Abet Bnd-Debtre Cl R3 | 1.21% | $15,284.94 | 0.85% | $129.92 |
| 1583 Pioneer Strgic Inc - Cls Y | 1.34% | $29,762.95 | 0.85% | $252.99 |
| 1776 BlackRock Hlth Sci Opp Pt - A | 1.57% | $140,086.39 | 0.85% | $1,190.73 |
| 5053 Templeton Global Bond Fund R | 1.45% | $24,832.36 | 1.05% | $260.74 |

Provider fees paid from investment funds **$43,462.82**

Provider fees deducted from participant accounts or paid by employer **$32,927.97**

Total Fees **$76,390.79**

[1]Fund Expenses include the fund’s expense ratio plus any “wrap” fee charged by the provider. The expense ratio is determined through an annual calculation, where a fund's operating expenses are divided by the average dollar value of its assets under management. Fund expenses are taken out of a fund's assets and lower investor returns.

[2]Provider % includes revenue sharing paid to the provider by the investment fund or wrap fees added by the provider. These expenses lower investor returns.

# Appendix D – Firms’ Statements Regarding Compliance, Tech Landscape

WEALTH MANAGEMENT • OCT 26, 2016

# Morgan Stanley Preserves Client Choice in Response to DOL Rule

Morgan Stanley believes that offering clients the broadest set of choices is the best way to increase their chances of a comfortable retirement.

Over the next several months, you may hear about a new government regulation which will impact your retirement accounts, such as IRAs. The regulation, which will be phased in beginning April 2017, aims to ensure that advice and services from Financial Advisors provided to retirement clients is in their best interests.

Because the new regulation, referred to as the U.S. Department of Labor Fiduciary Rule, will require significant effort to comply, some financial services firms have opted to limit the types of products, accounts and service payment options available to retirement account clients going forward.

Morgan Stanley Financial Advisors have always believed that the key to successful retirement planning is to start with you. Your individual situation, goals and aspirations have always been our starting point for creating your retirement framework. We also believe that offering you a variety of investment products and platforms is the best way to increase your chances of comfortably retiring the way you envision.

In our view, maintaining client choice—in both the services provided and how they are paid for—should remain a critical goal of how we respond to the new rules. That is why our Financial Advisors will continue to offer you a choice on how you invest for your retirement goals and how you choose to pay for those services.

Moving forward, our clients will continue to have access to commission-based retirement brokerage accounts with recommendations from us that will be consistent with the DOL Fiduciary Rule and Best Interest Contract Exemption. These accounts will continue to offer a broad array of investment products, including mutual funds and exchange traded products (such as ETFs).

Morgan Stanley, as an industry leader in fee-based advisory accounts with more than $850 billion in retirement and non-retirement assets, will also offer clients the choice of fee-based retirement account arrangements, which will continue to provide access to the firm's world class investment advisory offerings.

When you're a client with Morgan Stanley, the choice is yours.

Regardless of how you wish to approach investing for retirement, your Morgan Stanley Financial Advisor will work alongside you to ensure that your retirement plan considers the key aspects of your financial life, from your age and aspirations to current market opportunities to potential withdrawal strategies once you've retired.

If you're a current Morgan Stanley Wealth Management client, your Financial Advisor will send you more information about the new DOL Fiduciary Rule in the coming months. If you have any questions now about how the rule will affect your retirement services, contact your Morgan Stanley Financial Advisor.



*CRC 1628232 (10/16)*

# FIDUCIARY ROADMAP

**Leading the way forward**

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Since the Department of Labor (DOL) announced its final conflicts of interest rule earlier this year, you have received ongoing communications explaining components of the rule, describing the direction the firm is headed and outlining specific steps FAs need to take for retirement accounts.

During the same time, the firm's leadership team thoroughly reviewed the 1,023-page rule and thoughtfully assessed the key impacts. In addition, many managers, FAs, and CAs participated in feedback sessions on a variety of decisions.

While there is a great deal of speculation in the media on how the election results will affect the DOL rule, none of us can say with certainty what will actually happen. Many different types of scenarios are possible, and we are planning for all of them. In the meantime, we will continue preparing for an April 2017 implementation.

Fortunately, our firm is already in a strong position to succeed in the evolving regulatory environment because of our commitment to advisor best practices and investments in technology, such as Envision®, Plan to Pie℠, and Client Financial Review.

Two additional focus areas will allow the firm to not only comply with the DOL rule, but also to continue growing our retirement business, gain significant market share, and improve the consistency of the client experience.

**(1.) Continue offering choice of retirement account type**
WFA strongly believes that our clients deserve options when making their investment decisions. Therefore, we will continue to offer traditional commission-based retirement accounts leveraging the Best Interest Contract (BIC) Exemption, as well as Advisory solutions.

**(2.) Retirement account standards and services**
WFA is implementing several enhancements to help ensure we are meeting the DOL's best interest standard when advising and servicing our clients' retirement accounts.

> ***Retirement account standards:*** Similar to how WFA approaches planning for the overall client relationship, FAs will take an even more disciplined and consistent approach with retirement accounts leveraging the firm's Retirement Account Standards. This includes frequent client contact, advice that aligns with a client's verified investment objective and risk tolerance (or documentation if the investments aren't aligned), and a documented annual review.

***Retirement account policy statement:*** All retirement clients will be mailed a *Retirement Account Policy Statement* outlining the account's purpose, time horizon, liquidity needs, investment objective, risk tolerance, and the current vs. recommended investment allocation. The statement will be sent directly to clients during 2Q 2017. Before this mailing occurs, it is critical that FAs have conversations with clients and document their discussion in SmartStation® Client Dashboard.

***Retirement asset movement:*** WFA is developing a standardized process to document and help demonstrate when 401K-to-IRA rollovers and IRA-to-IRA transfers are in the client's best interest.

***Research-based retirement investments:*** To provide increased discipline for investment selection, allocation decisions, and rebalancing, WFA has developed a firm-approved list of available investments for retirement accounts, backed by research from Wells Fargo Investment Institute and other research providers.

In the coming weeks, you will continue to receive more detailed information outlining specific steps to take before the April 10, 2017, implementation date. In the meantime, please review the available resources listed below.

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# DOL Best Interest Workflow

bestinterestscout.com

## Dangerous Approach

Identify all clients with IRA/qualified accounts

Send Best Interest Contract

Significant risk due to potential prohibited transactions

## Defensive Approach

Identify all clients with IRA/qualified accounts

## Proactive Approach

Identify all clients, including non-qualified accounts

**Query**: Do you have enough information to determine if client is invested in best interest?

Yes

**Evaluate**: Evaluate based on the investment objectives, risk tolerance, financial circumstances and needs of the retirement investor (DOL PG 21027-21028 of BICE*)

- Most efficient: MoneyGuidePro®
- Less efficient: Other tool

Complete cost comparison if necessary

**Confirm**: Confirm investments are in client's best interest

No → STOP Determine Next Steps

Yes

Send BIC or advisory agreement

**Advise**: Render advice (variable compensation permitted under BIC)

No

**Obtain**: Obtain additional information from client

- Most scalable w/o self-evaluation: BEST INTEREST SCOUT™ UNDERSTAND YOUR CLIENT
- Less scalable: Other approach

Firm invites client, who logs in & launches system from your firm.com portal

System imports known client information

Client enters additional data

Scout data sent to firm

Optional: Scalable self-evaluation
my MoneyGuide® A guided planning experience

Client sees & optimizes results

Client tests results against risks

myMoneyGuide® data sent to firm

**Important Note:**
Every firm must evaluate whether its clients are invested in accordance with the new DOL best interest standards by April 10th, 2017, or before advice is rendered after this date. Start collecting information now while you determine your DOL approach. It is going to take time to evaluate all of your clients' situations.

**Go to bestinterestscout.com or email scout@pietech.com for more information.**

*Department of Labor, Employee Benefits Security Administration, 29 CFR Part 2550 [Application No. D-11712] ZRIN 1210-ZA25, Best Interest Contract Exemption

BEST INTEREST SCOUT™ UNDERSTAND YOUR CLIENT

**Scalable Client Discovery:** A client-initiated scalable and standardized solution to help obtain the client information necessary to evaluate the full financial circumstances of a client in accordance with Department of Labor (DOL) requirements.

my MoneyGuide® A guided planning experience

**Scalable Client Self-Evaluation:** A client-initiated scalable online guided financial planning tool. Advisor may review and help optimize clients' plans in MoneyGuidePro®.

MoneyGuidePro®

**Advisor-Driven Evaluation and Planning Tool:** An advisor-driven financial planning solution that helps create a full understanding of a client's needs, objectives, concerns and full financial circumstances.





See reverse

# BEST INTEREST SCOUT℠

UNDERSTAND YOUR CLIENT

## What is Best Interest Scout℠?

Best Interest Scout℠ is a stand-alone discovery tool that is designed to help you comply with the DOL regulations. It provides a standardized process to get client data to help you evaluate their expectations, needs and full financial situation, and determine whether they are invested in their best interests. Best Interest Scout℠ is especially designed to help wire houses, banks, insurance companies, mutual fund companies, RIAs, regional broker-dealers, and credit unions.

### 1 Query

Do you have enough information to determine if all of your clients, including non-qualified accounts, are invested in their best interest?

### 2 Obtain

Obtain additional client information through Best Interest Scout℠.

Your firm can then Query whether you have enough information on each client to determine if the client is invested in their best interest.

### 3 Evaluate

Evaluate that the client's investments are in their best interests and that you are in compliance with the DOL PG 21027-21028 of BICE* regulation using financial planning software such as MoneyGuidePro®.

### 4 Confirm

Confirm that the client's investments are in their best interest.

Send BIC or advisory agreement.

### 5 Advise

Advise client.

## How does Scout help firms defend and document that their recommendations are in the client's best interest?

To help you proactively address the DOL regulations, Best Interest Scout℠ provides:

**Scalability**, making it easier to reach all of your clients

**Speed to market**, helping you get the required information by the April 2017 deadline

**Flexibility**, allowing data to be pushed to your CRM, MoneyGuidePro® or other financial planning software

BEST INTEREST SCOUT℠ — UNDERSTAND YOUR CLIENT

**Send clients an invitation to participate in using Scout**

**Sample invitation to participate in Best Interest Scout℠**

"Mr. and Mrs. Client, the Department of Labor has put into place new regulations that require us to obtain more information about your full financial situation. This is a good thing for you, as it will help us act in your best interests. In order for us to continue to provide you investment advice after April 10th, 2017, you must log in to our website and complete the process - which should only take about 20-30 minutes..."

**The client logs into Scout via your client website portal**

**Scout imports known information from your site**

**Client enters additional data, including needs, expectations, concerns and financial information**

**Scout sends completed data to firm to evaluate**

## Go to bestinterestscout.com or email scout@pietech.com for more information.

PIEtech℠

Plan ▪ Invest ▪ Enjoy

See reverse

*Department of Labor, Employee Benefits Security Administration, 29 CFR Part 2550 [Application No. D-11712] ZRIN 1210-ZA25, Best Interest Contract Exemption

# Turn DOL Compliance into a Competitive Advantage

## Solutions for the New Conflict of Interest Rules

New responsibilities spelled out in the DOL fiduciary rule will impact business models, procedures, compensation, and customer relationships. Financial firms face extensive disclosure requirements, with unprecedented data management and reporting challenges. The timeline for compliance is short, and regulatory scrutiny will be intense.

Yet within each challenge you'll find opportunity to build trust and foster deeper relationships with your customers. Broadridge can help. As a leading provider of data, analytics, communication and technology solutions, we have the tools and expertise you need to validate and support recommendations, enhance customer experiences and mitigate risk. Whether you require a full-service solution or standalone capabilities, you'll find proven ways to simplify compliance, reduce costs and strengthen relationships.

**VALIDATE** | **COMMUNICATE** | **COMPLY**

**VALIDATE**

# DOL Fiduciary Solutions

**Validate your investment recommendations.**

**Prudence, skill, and diligence. The new DOL fiduciary rule expects advisors to exercise them all when recommending products to customers. Rely on Broadridge technology to streamline investment recommendations and help avoid conflicts of interest. Quickly demonstrate your product knowledge and document why your recommendations are in your customer's best interest.**

### Equip your advisors with powerful screening tools

Easily evaluate investment offerings – creating more transparency and less confusion – to ensure that every fund is in accordance with DOL requirements, and clearly understood by customers. Our proprietary methodology provides a holistic analysis of fund performance, expenses, and volatility, creating an independent scorecard ranking that validates your strategies and helps your customers determine what matters most in their personal investment decision.

### Identify the most suitable funds and share classes

Data-driven analysis simplifies the selection of suitable investment vehicles for individual investors, adding certainty and confidence to point-of-sale transactions. Quickly compare share classes, mutual funds and variable annuities based on individualized inputs such as investment amount, ongoing contributions, systematic withdrawals and time horizon. Recommendations are documented and can be stored for the customer and compliance purposes.

### Deliver prospectuses at the point of sale

Add more clarity to your point-of-sale transactions by making the most recently filed statutory or summary prospectus immediately available for your clients. Broadridge proprietary "fund mapping" technology talks to EDGAR every business day, making documents and data timely, accurate and accessible.

### Ensure ongoing suitability of your sell list

Firms can regularly monitor their existing sell list for more suitable investment products, and rerun the suitability analysis as new funds become available. Advisors can also receive alerts when new documents or supplements have been filed for their clients' funds.

COMMUNICATE

# DOL Customer Communications

## One-to-one investor communications made simple.

**The DOL rule adds new layers of complexity to your client communications. You're required to share more information with customers, to communicate with them more often and in new ways:**

**Create and deliver communications,** including Fiduciary notices, Best Interest Contracts (grandfathered and new accounts that require signatures) and Transactional Disclosures.

**Deliver complex, personalized, time-sensitive content** (often at the point of sale) in print and digital form.

**Develop and maintain a web site** that displays model contracts, compliance-required material and the ability for investors to access their personalized disclosures.

**Be prepared to respond quickly to ad hoc requests** for more detailed information from individual investors.

**Implement an efficient workflow** to manage each communication, track and confirm delivery and receipt, and securely archive it all for proof of compliance.

### Turn to a trusted partner

Broadridge excels in managing complex, time sensitive and compliant communications. With our world-class Customer Communications Platform, you can empower advisors to create and distribute contracts, disclosures and more at the point of sale. Streamline how you create, deliver and archive personalized documents for print, email and web presentment. And turn DOL-related communications into targeted messages that support your brand, strengthen customer relationships and drive new revenue streams.

### Maintain proof of compliance

Automatically archive all contracts, notifications, recommendations, letters and disclosures in their original format, and track them for easy retrieval on demand.

### Your single-source for investor engagement

- Multi-channel communications
- Self-service workflow
- Digital and on-demand printing
- Physical mail or digital delivery
- Data-driven personalization
- Postal savings
- Web presentment
- Physical and electronic signature capture
- Tracking and management
- Archiving and retrieval

COMPLY

# DOL Compliance Management

**Manage and mitigate risk on an ongoing basis.**

**Our practice management tools help you build compliance and transparency into all your processes. Simplify management of third-party payments. Establish procedures for detailed record keeping and reporting. Compile and cleanse data from a variety of internal and external sources. Gain an accurate, 360-degree view of customer holdings.**

### Achieve accuracy and transparency in fees and compensation

Centralize and automate calculation, reconciliation and allocation of a wide range of fees and payments, including management and advisory fees, 12b-1, revenue sharing, and commissions. Eliminate potential conflicts of interest and automatically levelize payments to brokers. Ability to track, tag and filter third-party revenue and/or compensation related to retirement assets and process in accordance with compliance rules while creating a complete audit trail.

### Aggregate data to drive compliance

Collect holdings data at the individual and account levels, including held-away assets, from both internal and external sources. Aggregate transactional and account data from clearing firms and custodians. Maintain a clean central database to feed performance analytics and compliance monitoring systems.

### Continuously monitor to mitigate risk

Implement standards and procedures to maximize effectiveness while limiting your firm's exposure. Examine customer accounts and advisor activity to ensure compliance. Analyze and benchmark fees against current market trends.

### You can count on Broadridge

Broadridge is the leading provider of investor communications, technology-driven solutions, and data and analytics for broker dealer, wealth management, asset management and capital markets firms. We help our clients drive operational excellence to manage risk, accelerate growth and deliver real business value. Our comprehensive suite of DOL solutions simplifies compliance, reduces costs and strengthens relationships in ways that offer a significant competitive advantage.

### Learn more

Please contact Tim Slavin, SVP Retirement Services, via email at Timothy.Slavin@Broadridge.com or call Broadridge at 1-800-353-0103.

# Proactively Solving for the DOL's Levelized Compensation Requirement

*New regulations constantly alter how the financial services industry operates, leaving organizations scrambling to comply. Staying current requires having the right tools in place to thrive — and win — in the new environment. Increased visibility and oversight from an open architecture process at the broker-dealer firm and broker level is becoming the solution, especially with the new Department of Labor (DOL) regulations set for early 2017. These changes provide great opportunity — and can be the ultimate equalizer for retaining and growing your retirement plan business.*

The new DOL regulations mean that any indirect compensation received by the broker-dealer as a fiduciary would be considered a prohibited transaction under ERISA, and not allowed unless a prohibited transaction exemption is available, such as the Best Interest Contract Exemption (the "BICE").

The final DOL fiduciary rule includes a method for advisors who receive level fees to qualify for the streamlined version of the BICE — and it's in this area that Matrix can help.

Launched in 2012, Matrix's level fee compensation service (LCS) was designed from an understanding of the changing landscape of the industry and was not created as a "reaction" to the DOL rule. Because of that, Matrix's LCS is ahead of the curve in vision, technology and operational efficiency. Recognized as an industry standard in "levelizing" compensation for transaction-based broker-dealers, Matrix's LCS is a "must-have" for fiduciaries, who, under the new DOL regulations, are looking to save and grow their retirement plan business.

A level compensation payout mitigates a broker-dealer's conflict of interest because brokers have no incentive to pick funds with higher 12b-1 payouts — and our LCS provides the conflict mitigation solution to assist broker-dealers with BICE compliance. Broker-dealers participating in the Matrix LCS:

- Choose from a list of mutual funds that will generate a flat fee equal to a fixed percentage of assets based on the 12b-1 payments
- Can help determine the average amount of payment
- Can have Matrix collect mutual fund fees and make quarterly payments
- Can be assured that the plan/broker relationship doesn't change, since this is an administrative service function

Ultimately, Matrix's services can help preserve your existing business while providing multiple investment options to best match broker-dealers' needs.

## HERE'S WHAT WE OFFER

| Broad investment options; reduced risk | Transparency and oversight | Easy administration |
|---|---|---|
| • Allows the broker to select funds based on merit, not fee structure<br>• Matrix offers a wide variety of funds that can be structured to meet broker-dealers' needs | • Data Feed service provides plan asset values, investment activity and other important information; creates a window into activity of firm's brokers<br>• Matrix can identify brokers out of compliance with LCS | • Matrix collects mutual fund fees<br>• Automated, standardized payments and reporting via the DTCC's Commission Settlement service<br>• Single, quarterly level fee payments paid to the broker- dealer directly from Matrix |

Broadridge®

## HOW MATRIX CAN HELP

For minimal impact to your existing plan business, you will need a level fee compensation service to comply with the DOL fiduciary rule and to handle the traditional (variable) compensation included in these plans.

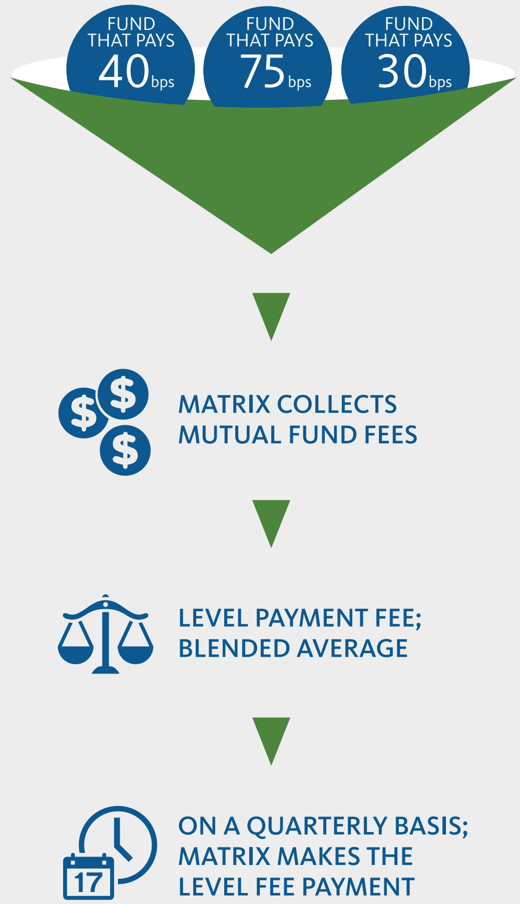
This requires an efficient, cost-effective solution to address this part of its business by April 2017. The BICE exemption will permit firms to use many current compensation models — and having serviced your existing business, Matrix is an ideal partner for the level compensation solutions.

### Here's why you should consider us:

- **We're experienced.** With more than 20 years of open architecture experience and as a first-adaptor of level compensation services, Matrix is a "go-to" solution for DOL compliance.
- **We know you — and your business.** We already provide services to you so we understand the key aspects of your operations. We can reduce the complexity of managing your existing business and help you with future business.
- **We're the only "back office" you'll need.** We'll provide operational efficiency and effectiveness for you — and we can customize our service to fit your needs. We'll work closely with you to solve all of your issues and needs regarding the DOL fiduciary rule and level fee compensation.

## HOW LCS WORKS

### PLANS WITH VARIABLE COMPENSATION




### Highlights of the Matrix LCS Include:

- Minimal operational changes
- Calculation of level payments for existing fund lineups
- Streamlined commission payment processing
- Decreased overall operational expenses
- Dedicated Advisor Compensation Team to support LCS

### About Broadridge

Broadridge Financial Solutions, Inc. (NYSE:BR) is the leading provider of investor communications and technology-driven solutions for broker-dealers, banks, mutual funds and other corporations. With over 50 years of experience, Broadridge's infrastructure processes, on average, $5 trillion in equity and fixed income trades per day. Broadridge employs approximately 10,000 associates in 14 countries.

Broadridge®

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broadridge.com

# Get Compliant and Stay Compliant with Department of Labor (DOL) “Final Rule” Fiduciary Regulations

White Paper

DocuSign

# Get Compliant and Stay Compliant with the New Department of Labor (DOL) "Final Rule" Fiduciary Regulations

In April 2016, the Department of Labor (DOL) issued its "final rule" on fiduciary responsibilities of those providing investment advice and products to retirement accounts and employee benefit plans. The ruling was in response to President Obama's request for changes in regulatory oversight of retirement investing after the financial crisis of 2008. In particular, the Obama administration was concerned about potential predatory practices with elderly investors and their life savings. Understanding and complying with this rule is critical to all participants in the wealth management and insurance industry in order for you to retain wallet share and market share.

## *Understand the basics*

Here are the important things you need to know about the ruling:

- **Who's affected?** Those who provide investment advice and sell investment products and services related to employee benefit plans and retirement accounts. The rule expands the definition of *fiduciary* in this context, so the bulk of the impact falls not only on financial advisers and investment representatives per se, but also primarily on plan sponsors, funds, and producers who provide incentives and commissions to advisors.
- **What's changed?** Advisors and sponsors of retirement accounts and employee benefit plans must adhere to an expanded fiduciary standard of putting their clients' best interests before their own profits and incentives.
- **What's the impact?** Potentially far-reaching effects spanning business, compliance, operations, and technology. Of particular note, disclosure requirements are significantly enhanced.
- **How should firms respond?** If you haven't begun planning and preparing to meet upcoming deadlines, start now.

### The DoL Final Rule Has Broad Business Impacts

✓ Business

✓ Audit and Compliance

✓ Operations and Technology

### Key Deadlines

Applicability: April 2017

Full compliance: January 2018

Some relief is available through one of two exemptions:

- The Best Interest Contract (BIC) exemption allows financial institutions and their individual brokers and advisors to market and sell investments to retirement investors or "retail" plan and IRA investors.[1]
- The Principal Transactions (PT) exemption applies to the purchase or sale of certain securities where the fiduciary is the principal.

The BIC in particular is key to helping you retain customers and wallet share. Under the BIC, there aren't any restrictions on asset type when you satisfy, among other conditions, the following:

- Adhere to impartial conduct standards, as defined in the exemption, and adopt policies and procedures to assure adherence.
- Acknowledge that advisors are acting as fiduciaries under ERISA or the Internal Revenue Code of 1986 or both.
- Disclose information related to fees, compensation, and material conflicts of interest.
- Retain records and provide reports that demonstrate compliance with the exemption.

[1]DOL issues final fiduciary rule and related exemptions, April 18, 2016, https://www.dlapiper.com/en/us/insights/publications/2016/04/dol-issues-final-fiduciary-rule/

Note that not all companies are eligible for the BIC exemption, and some firms may choose not to apply. Consult with your legal team to see whether pursuing these exemptions makes sense for your business.

## *Assess the impact*

Many firms are in the early stages of assessing the rule's impact, sorting through legal interpretations, and preparing for regulatory compliance. The long-term effects are likely to have impacts on fee and commission structures for investors and on how firms provide service to small accounts, leveraging technologies such as robo-advisors and moving to flat-fee structures rather than commission-based incentives. In the short term, there are a number of questions you must answer because they have implications for your business, audit and compliance, and client servicing technology and operations:

### Business

- What is the scope of impact on accounts, advisors, transactions, and investors?
- What are the criteria and requirements for the exemptions?
- How do compensation plans and sales processes need to change so they align with the BIC and PT exemptions, if applicable?
- What is different now compared to current and long-standing regulations and exemptions?

### Audit and Compliance

- What specific changes need to be made in account and transaction-related disclosure requirements?
- What are the enhanced audit, compliance, and regulatory reporting requirements for account opening, fee disclosures, rollovers, and sales?
- How can product offerings and fee structures be streamlined to ensure greater regulatory compliance?
- What requirements for supervision and training of financial advisors will ensure compliance with the impartial conduct standards?

### Operations and Technology

- How are policies, processes, and procedures affected by the enhanced reporting requirements?
- What are the optimal means to meet regulatory compliance by the DOL applicability date?
- What level of account repapering is required?
- What technology and client operations changes will be needed for the additional disclosure, audit, and reporting requirements?

## *Develop your response strategy*

There's no one right way to respond to the final rule, and you should work with your legal, operations, and technology teams to determine the response most appropriate for your business. That said, a number of things are required of all businesses affected by the rule. These potentially include rules-based applications for disclosures that are integrated with your firm's reference data related to customers, accounts, products, fees, and commissions. And a clear audit trail.

Firms are leveraging in-house and third-party applications like Pega, Salesforce, and Intelledox for draft questionnaires and dynamic rules engines to identify eligibility and generate disclosures. And they're making corresponding changes to the administration platform for management and audit purposes.

For initial repapering of accounts — i.e., ensuring customer acknowledgement of necessary disclosure documents — firms are taking a number of different routes:

- Partnering with third parties to prepare and administer mass mailings and outbound call campaigns, with reliance on negative consent to complete the process.

- Grouping communications by individual financial advisor's investors and sending documents in batches.
- Setting up disclosure websites required by DOL to provide up-to-date information about products, fees, commissions, third-party arrangements, material conflicts of interest, and so on. Individual disclosures potentially can be hosted on these sites and accessed by investors.

As you digitize the response process, you may have to work around customer database issues including the potential lack of email addresses, especially for elderly retirees.

## *Get compliant and stay compliant with DocuSign for Disclosures*

These deadlines are right around the corner, and businesses must act now to ensure they are in compliance. No matter which response route you take, DocuSign can assist you with impact and solution assessment and with on-time compliance by digitizing your operations.

The DocuSign platform is capable now of meeting all of the requirements for getting compliant and staying compliant with the DOL's final rule. And when you automate business processes, like those related to disclosures, you simplify cumbersome workflows and operate with solutions that can run automatically, without human intervention. Your customers can access, view, download, print, sign, and send documents quickly and easily, while the platform records all of the actions they take for an audit trail in compliance with the DOL rule.

### Get Compliant and Stay Compliant with DocuSign

| | GET COMPLIANT | STAY COMPLIANT |
|---|---|---|
| **WHEN:** | **April 2017: DOL Final Rule Applicability Date** | **Post-January 2018: DOL Final Rule Regulatory Compliance Deadline** |
| **WHAT:** | • **Securing BIC exception,** where applicable<br>• Potential **bulk repapering of accounts** under scope, with enhanced account-related and BIC exemption-related disclosures<br>• **Enhanced audit, compliance,** and regulatory reporting requirements to meet BIC exemption requirements | • **Annual** account and investment-related disclosures<br>• Potential BIC exemption **transaction-related disclosures**<br>• Continued enhanced audit, compliance, and regulatory reporting requirements to meet BIC exemption requirements |

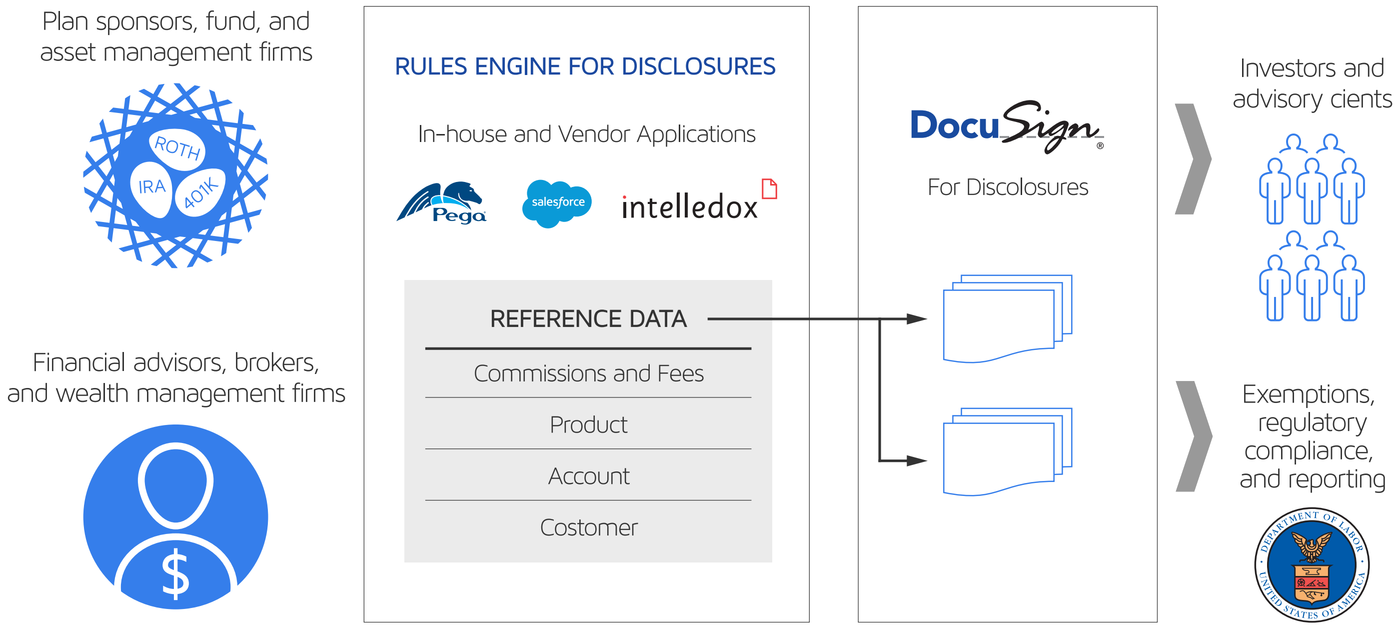
In January 2016, DocuSign convened its Financial Services Consortium to understand platform and product enhancements for financial and fiduciary disclosures.

Consortium members have worked with DocuSign to:

- Help define business and technical requirements
- Participate in weekly meetings and provide feedback
- Coordinate user experience feedback and testing
- Participate in solution testing

With this help, DocuSign is enhancing the platform to create an even better customer experience related to disclosures that also meets the regulatory requirements of the Department of Labor.

## DocuSign for Disclosures Accelerates Regulatory Compliance




### *Leverage the experience of the industry leader*

Using DocuSign for Disclosures to digitize your document agreements and respond to the DOL's final rule provides a number of benefits:

- **Satisfy compliance requirements** by enabling you to automate disclosures with a tamper-proof audit trail.
- **Delight your customers** by providing a greatly improved user experience compared to paper-based document transactions.
- **Meet critical deadlines** with rapid implementation using DocuSign's SaaS-based solution.
- **Realize rapid ROI** by protecting market share while eliminating printing and shipping costs and enhancing employee productivity.
- **Work with existing systems and processes** with seamless integration to systems such as Pega, Salesforce, Intelledox, and in-house applications.
- **Provide bank-grade security** with document encryption and higher levels of authentication than paper agreements.
- **Stay ahead of the curve** by leveraging DocuSign's work with its Financial Services Consortium to continue evaluating impacts of future rulings and roll out new capabilities to address them.

DocuSign is a fixture in the financial services industry, working with more than 90% of the top financial services institutions.

Responding to the final rule requires expert assessment, planning, and implementation. Time is running out to achieve compliance, especially considering the far-reaching impacts the final rule is expected to have across your business.

The good news is you don't have to figure this out alone. DocuSign's experience in financial services can help ensure that you get compliant and stay compliant with DOL requirements in time for the upcoming deadlines, with as little difficulty as possible.

## *For more information*

Visit www.docusign.com or contact your account executive to learn more about how DocuSign can help you comply with the DOL's final rule regarding financial and fiduciary disclosures.

### About DocuSign

DocuSign is changing how business gets done by empowering anyone to transact anytime, anywhere, on any device with trust and confidence. DocuSign keeps life moving forward.

For U.S. inquiries: toll free 866.219.4318 | docusign.com

For EMEA inquiries: phone +44 203 714 4800 | email emea@docusign.com | docusign.co.uk

Follow Us:

# Taking *FinTech* to

# *Fid*uciary *Tech*

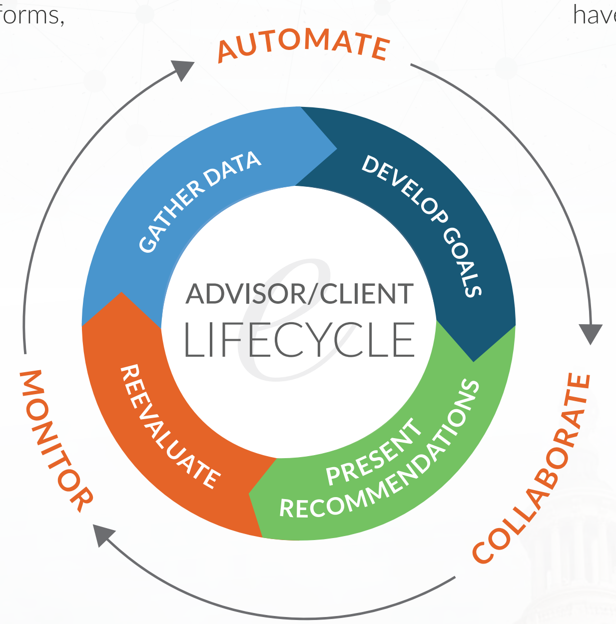
**Introducing eMoney's Fiduciary Framework, the first technology to bridge the gap between financial planning and compliance. From delivering BICE forms to auditing and archiving advice, we're adding enhancements throughout our product suite to create a fiduciary-focused planning platform that solves for the DoL throughout the entire advisor-client lifecycle.**

## GATHER DATA

Adding to our existing data gathering tools, we're releasing an automated onboarding process, one-click delivery of BICE forms, and the ability to track when clients make changes to their account information.

## DEVELOP GOALS

With planned enhancements to all our basic planning tools and calculators, advisors will have simple, scalable solutions that help satisfy the increased planning needs of all their clients.




## REEVALULATE

With our enhanced Advisor Analytics Dashboard, advisors can create a custom dashboard of insights that help to quickly track and monitor their entire business. Plus, with all-new Firm-level Analytics, managers and other home-office administrators can identify trends and gaps in their entire office's wealth management process.

## PRESENT RECOMMENDATIONS

Updates to how our plans are delivered and archived, including firm-level management of presentation templates, storing who or what uploaded a document to the Vault, and documenting client acknowledgements of plan reports and presentations, will support DoL compliance throughout the planning process.

## MONITOR & COMPLY

Available at both an advisor and firm level, eMoney's new compliance solution will track and audit key client interactions including acknowledgements of goals and plans, manual account changes, the delivery of plan reports, event logs, and more. Now, advisors can provide powerful advice and automatically track that advice from the same, seamless platform.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# Success in the Wake of the DOL Fiduciary Rule

Over the past months, the financial services community has been bracing for the rollout of the Department of Labor's updated Fiduciary Standard Rule. The rule's intention is focused on putting an investor's best interests ahead of all other factors when providing retirement investment advice and offering transparency into fee structures. In practice, the regulations—though not as complex as originally predicted—still mean that firms must reconsider every day practices from account opening to record keeping to due diligence to the very foundation of the way advisors offer advice.[1]

Complicating matters is the fact that even one month beyond the delivery of the final ruling, many are still disputing key factors, as well as arguing against the rule's fundamental right to be passed (both the Senate and the House have passed resolutions to repeal the rule).[2] There are still a number of factors up in the air, with deadlines spaced out over upcoming months. In many ways, it seems that both advisors and home offices have a complex and complicated road ahead, planning for and navigating in the new environment.

**Regardless of the final language of the rule, the spirit that drove the legislation will ensure that some version of placing an investor's best interest first will be passed. This is, in fact, what many firms and advisors do every day.**

But the road does not, in fact, have to be complicated. It seems likely that regardless of the final language in the rule, the spirit that drove the legislation will ensure that some version of placing an investor's best interest first will be passed. This same spirit is, in fact, what many firms and advisors do every day. To be prepared to succeed—not merely be "in compliance" with the rule, but truly grow and succeed—firms should take this opportunity to re-think several key drivers and business practices, and should find they are well established for growth in the new environment.

## Understanding the Impact of the DOL Rule

To help firms understand the nuances of the new legislation, FolioDynamix recently hosted a webinar on *Success in the Wake of the DOL Fiduciary Rule.* An expert panel featuring Shari Hensrud, President of FDx Advisors, along with Cary Kvitka, Stephen Galletto and Max Schatow from Stark & Stark's Securities Group, provided insight on how firms can effectively manage under the new compliance guidelines. The webinar discussed the rule's impact, how to mitigate compliance risks following the rollout, and how firms can best evolve within an environment that's promoting an inevitable shift to fee-based advisory business models.

The panel highlighted key changes resulting from the rule including:[3]

- Updating and closing loopholes that enable advisors to circumvent ERISA's fiduciary standards or prohibited transaction rules
- Expanding the number of persons subject to fiduciary best interest standards
- Increasing costs associated with implementing and maintaining advisory businesses especially as related to administration and management of the Best Interest Contract Exemption (BICE) processes
- Changes to investment product distribution, advisor compensation, and services for individual investors

The BICE is an option for many firms to continue to do business as they always have, but with increased paperwork requirements and the accompanying increased costs of oversight and enforcement. Firms who wish to use the BICE should plan to work closely with a technology solutions provider to manage and automate that paperwork. But the panelists agreed that firms should also take a step back to re-think their approach to fee-based business.

## Thriving in a Post-DOL Environment

To put it quite simply, the DOL Fiduciary Standard Rule heralds a final shift from transaction-based businesses to an advisory-based world as commission-based businesses become increasingly expensive and difficult to justify. Compliance with BICE standards will become increasingly complex; transitioning those accounts, even lower balance accounts, to advisory accounts eliminates the need to discuss and incorporate the BICE into daily client interactions.

The second greatest area of resistance to the Fiduciary Rule, beyond the paperwork requirements of the BICE, is concern over small balance accounts and the effectiveness and efficiency of serving them.[4] While automated robo platforms have been suggested as an alternative, many firms—conscious of the fact that small investors have the possibility to become larger investors, with guidance and support—are hesitant to simply jettison those investors (these investors, after all, are often those who might benefit most from informed advice vs. a self-service approach). An important consideration here—and a decision point for firms—is to seek out a solution provider who can offer small-balance advisory accounts that can be made efficient even with low balances through a combination of low-fee underlying investments and a technology component that allows for automation of client account opening, rebalancing, and reporting.

Technology, indeed, can become the tipping point for efficient workflows vs. compliance and operations overload. Maintaining the level of record keeping required by the new rules can quickly overwhelm home office teams, and advisors in the field, if the process is not automated through technology.[5] Firms should research and implement technology resources to do more than just paperwork—to ensure a seamless workflow and efficient day-to-day task management. Automated alerts, multi-level reporting, smooth integration, and end-to-end solutions all make a difference in turning what can be hours of manual work into minutes within a day.

## Care and Due Diligence: Choosing the Right Partners

Making the determination that fee-based business is, or will be, the main focus area for a firm seems a natural progression under the new guidelines—and meets the needs of a growing portion of advisors who wish to maintain active control over client portfolios. But in offering access to advisory solutions, or in providing models or Rep-as-PM solutions, it is key to again ensure that your firm is working with a solution provider with a documented history of compliance to regulations. Ensuring that all investment portfolios and products meet the fiduciary standard is no small task, and requires a demonstration of care and due diligence, as well as appropriate documentation that supports an advisor’s recommendations.

Firms have an obligation to demonstrate that they are taking actions to provide “prudent” advice to investors. A simple manner to accomplish this is by partnering with a firm who can show a demonstrated methodology of due diligence with clear records

**Key Features to Look For in a Technology Partner:**

- Efficient automation of time-consuming aspects associated with maintaining client accounts
- Hands-on, customized implementation for your firm, and the ability to rapidly scale support to simplify client servicing
- Low-cost solutions that help long-term relationships with the younger generation of investors who may be following a DIY investment approach to those who depend on a more supportive relationship.

and a history of compliance. Look for a firm that can support the due diligence requirements with a well-defined, objective, thorough and transparent processes. Outsourcing the investment function is one of the ways to display that a firm is committed to meeting the fiduciary standard. Additionally, partnering with a firm renowned for careful and thorough research and analytics can also serve as a key differentiator as you justify fees and market your firm to increasingly savvy investors.

## Conclusions: Success Under the Fiduciary Rule

By taking the steps to automate manual functions, choose and integrate strong technology partners, and select advisory solutions with a thorough due diligence process, firms may find that far from complicating daily business, the fiduciary rule allows for a more efficient long-term road map once key business decisions are made. To prepare for the first phase of the rollout of this rule in early June, the earlier-referenced panel of experts from Stark & Stark and FolioDynamix recommended that firms:

» Strategically assess how this rule impacts its business model and revenue stream.

» Analyze which relationships will be defined as a fiduciary.

» Determine whether fees are reasonable.

» Reassess current business processes and practices pertaining to business development, 401(k) rollover processing, proprietary products, customer agreements and disclosure, and the overall customer experience.

» Consider whether there is a need to rely on and how to use BICE.

» Take a close look at how to incorporate a greater proportion of fee-based products and services in current retirement business models.

» Identify technology offerings to efficiently manage client accounts.

[1] DOL Rule Will Have Unintended Consequences, *ThinkAdvisor*, April 7, 2016

[2] http://thehill.com/blogs/floor-action/senate/281113-senate-votes-to-block-financial-adviser-rule

[3] *Success in the Wake of the DOL Fiduciary Rule* Webcast, April 26, 2016, Stark & Stark, FolioDynamix and FDx Advisors

[4] The DOL Rule Could Impact RIAs Too, *Financial Advisor*, May 24, 2016

[5] SIFMA, Still Parsing Details, Sees DOL's Rule as a Heavy Lift, *Financial Planning*, April 13, 2016

For more information on FolioDynamix and how we can help firms thrive in a post-DOL Fiducuary Rule environment, contact DOLSolutions@FolioDx.com.

# SOLUTIONS FOR MEETING DOL FIDUCIARY RULE REQUIREMENTS

FIS

# OVERVIEW

In April 2016, the U.S. Department of Labor released new regulations that changed the 40-plus-year-old definition of “investment advice.” This is a major milestone in what has been a long and challenging undertaking by the DOL to broaden the scope of who must act as a fiduciary when advising retirement plan sponsors and participants.

The final rule package is vast and comprehensive. It includes changes to existing class exemptions as well as new exemptions, and other changes that will impact plan sponsors, plan participants and service providers — particularly investment advisors.

# FIS AT YOUR SIDE

FIS has been tracking the development of the DOL's fiduciary regulations project since 2010. We have full-time ERISA attorneys on staff with extensive knowledge of the rule and its potential impact on clients. Our deep domain expertise, as well as the breadth and depth in our suite of tools, will allow us to deliver support you can rely on. Our solutions can help with client discovery, best interest checks, investment proposal and management, and compliance. And our services can help provide the guidance and support you need to evaluate your implementation options and determine the best path forward.

It is FIS' mission to provide a solid partnership to support your needs, and we will work with you to provide the software and services required to help you comply with the new regulations.

# DOL'S FIDUCIARY RULE IS CHANGING THE GAME

Under the Department of Labor's (DOL) new fiduciary rule, financial advisors who provide "investment advice" to retirement plan sponsors, plan participants or IRA owners will be required to follow stricter ERISA fiduciary standards. Retirement investment fiduciaries must act solely in the best interests of their clients, and under the new rule, recommending investments that merely meet the "suitability standard" will not be sufficient.

The new rule is intended to address DOL concerns about conflicted investment advice. For example, under the rule a potential conflict exists when an advisor or its firm has a financial interest in recommending certain investment products over others. In order to continue, certain investment advice and compensation practices, the final rule offers some alternatives, including:

## Best Interest Contract (BIC) Exemption

- The cornerstone of the new rule for many investment fiduciaries that have potential conflicts of interest due to variable compensation arrangements is the BIC exemption.
- Sets out comprehensive and strict standards for investment fiduciaries that may have potential conflicts of interest, such as entering into a contract or providing disclosures that the advisor and the firm will act impartially and in the client's best interest, avoid making misleading statements and receive no more than reasonable compensation.
- Gives IRA investors and non-ERISA plan participants the right to sue advisors for non-compliance. Other requirements include certain warranties, disclosure requirements, limitations on certain contract terms, notice to the DOL, and others.
- Includes a streamlined exemption for level compensation fiduciaries (BIC lite).

## Annuity Exemption

- Existing Prohibited Transaction Exemptions (PTE) 84-24 will allow investment fiduciaries to receive reasonable commissions and other revenue sharing when selling fixed annuity contracts, subject to new requirements including the impartial conduct standard and disclosures.
- PTE 84-24 will not cover sales of variable and indexed annuities. Sales of such products to individual investors would have to be covered under the BIC Exemption (see above).

## Carve-Outs

- The new fiduciary rule identifies certain activities and services that do not constitute fiduciary advice, but includes specific definitions and guidelines for maintaining non-fiduciary status.
- Investment education, including participant asset allocation models and interactive investment materials can be provided without causing the advisor or the firm to become a fiduciary, if among other things, the materials identify all of the investment options available to participants and do not favor certain investment options over others.
- Offering an open architecture investment option platform, investment selection and monitoring services and furnishing general communications are also potentially not considered fiduciary investment advice.

# EVERY FINANCIAL ADVISOR THAT TOUCHES A RETIREMENT ACCOUNT IS IMPACTED BY THE NEW RULE

The DOL rule impacts individual advisor's and their firm's ability to receive variable direct and indirect compensation, including commissions, loads, finder's fees, revenue sharing payments, shareholder servicing fees, distribution fees, and many others.

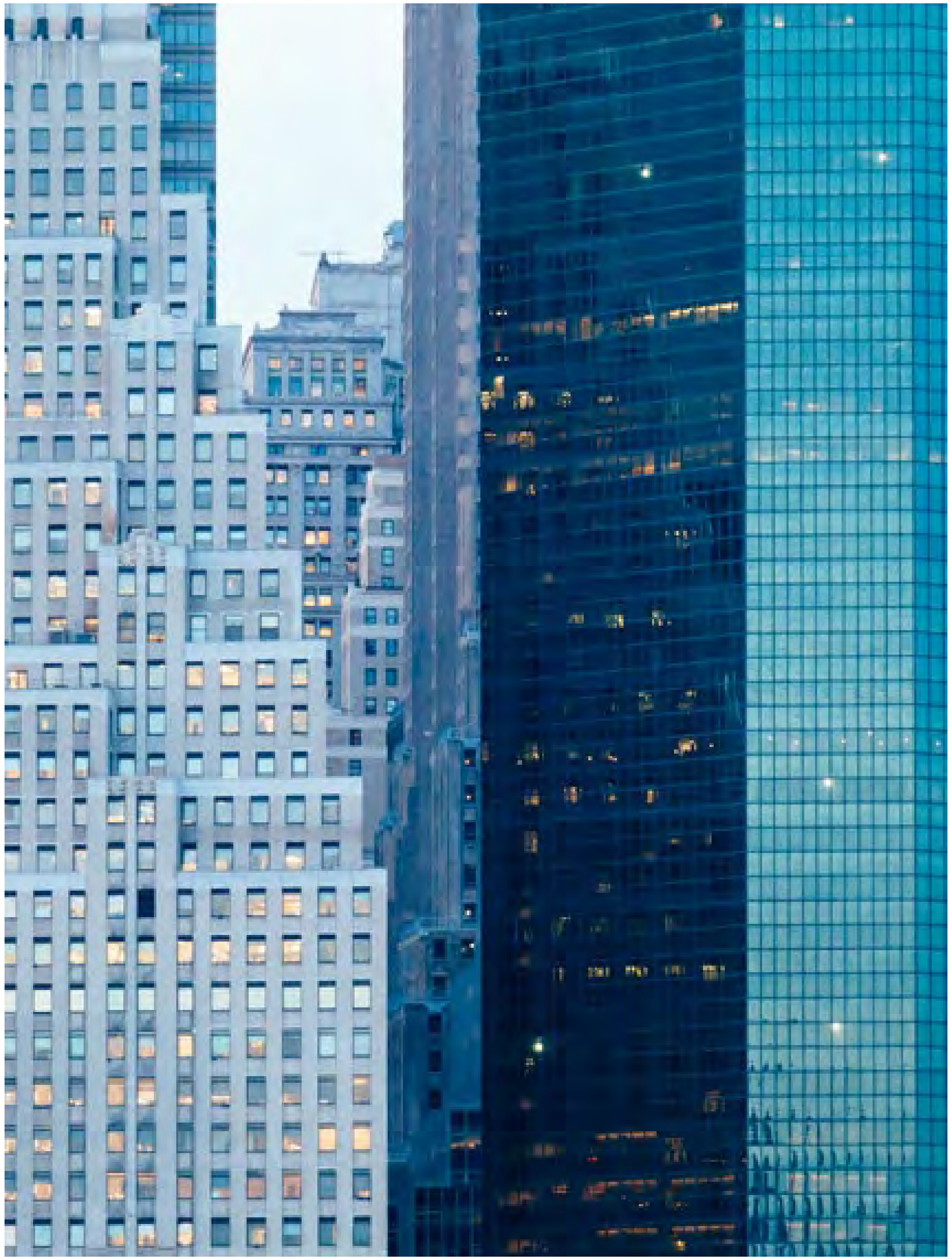
Firms that use incentive bonuses, quotas, awards or trips for the sale of certain investments must change those programs in order to adhere to the impartial conduct standards under the new rules.

## THE RULE'S IMPACT ON THE FIRM'S OPERATING MODEL

- Sales practices and pricing
- Client account selection
- Contracts and disclosures
- Ongoing account management
- Cross-selling products to existing clients
- Legal and compliance

## ALL FIRMS FACE SEVERAL KEY CHALLENGES

- Initial costs
- System requirements
- Ongoing maintenance
- Short timeframe



# WE'VE GOT YOU COVERED.

From client discovery, best interest checks, investment proposal and management, and compliance, FIS' integrated solutions can support your advisors throughout the client engagement continuum.

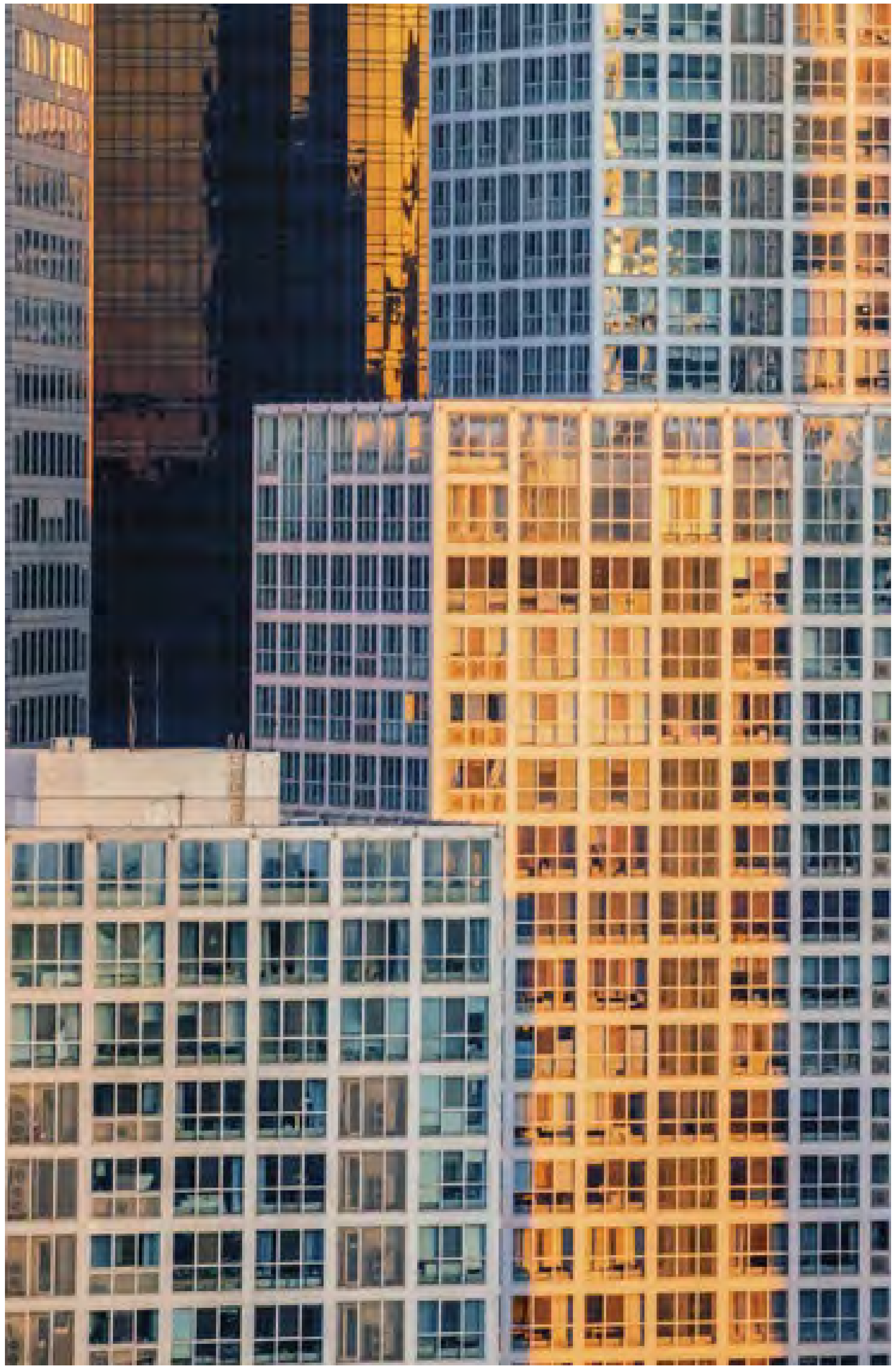
1. KNOW YOUR CUSTOMER
2. PRODUCT SELECTION
3. BIC/DISCLOSURES
4. COMPLIANCE PROCESS

## Know Your Customer, Product Selection, BIC/Disclosures: (WealthStation)

Used by banks, trust companies, brokerage firms, insurance companies and independent wealth management firms, WealthStation provides integrated tools and services to help you and your clients achieve success.

## Compliance Process (Protegent)

Protegent Surveillance is a supervision tool that simplifies workflows and automates compliance processes, giving firms greater visibility into potential risk factors while increasing operational efficiency and regulatory transparency.



# WEALTHSTATION

## WealthStation Financial Planning

- Helps a firm know their clients via modular software providing goal-based to cash-flow-based financial planning capabilities.
- Uses best-of-breed AllocationMaster analytics to analyze a client's specific risk tolerance preferences and the 'risk capacity' of a client's goals (specific time horizon and goal funding analytics)
- Includes a new DOL tool[1] to enhance a firm's ability to:
  - Develop investment plans based on clients' specific data and desires.
  - Perform a "Best Interest" comparison of investment recommendations.

[1] This module may be used in conjunction with WealthStation Financial Planning or as a standalone tool).

## WealthStation PlanAdvisor

- Web-based solution used by retirement fiduciaries and retirement plan selling advisors for advising plan constituents
- Provides access to all their current retirement plan level data within a single solution
- Allows users to manage investments at the level of detail they require without the need to input plan-specific funds and balances
- Offers specific modules for mutual fund research, fiduciary reviews, prospect proposals, and fee disclosure and benchmarking

# PROTEGENT

## Protegent Surveillance

- Detects suspicious trading activity and address supervision and suitability requirements
- Helps identify questionable transactions and high risk positions, streamline review processes, supports audits and fast responses to regulatory and legal inquires
- Detects issues involving commissions, concentration, suitability, licensing, breakpoints, market manipulation, AML, restricted holdings and insider trading activity
- Integrates with WealthStation

# THE NEW CLIENT LIFECYCLE WILL REQUIRE FOUR MAIN TOOLS

### 1. KNOW YOUR CUSTOMER

Client data aggregation
Retirement planning analysis
Risk tolerance/capacity analysis

### 2. PRODUCT SELECTION

Product information and profiler
Asset allocation and implementation

### 3. BIC/DISCLOSURES

Best interest check
BIC/BIC lite agreements
Disclosures

### 4. COMPLIANCE PROCESS

Trade surveillance and reporting
T+1 risk mitigation
Workflow for process and report tracking


# 1. KNOW YOUR CUSTOMER

Client data aggregation
Retirement planning analysis
Risk tolerance/capacity analysis

*Client data is aggregated and passed to our financial planning tools for analysis. Results are then passed to the Product Selection stage.*

# PRODUCT SELECTION

## 2. PRODUCT SELECTION

Product information and profiler
Asset allocation and implementation

*Information received from the KYC stage is passed into the Product Selection process. At this stage, the automated investment management tool provides retirement plan level data, mutual fund research, fiduciary reviews, fee disclosures and benchmarking to customize a specific product recommendation per client.*

*The output is then delivered to the BIC/Disclosures and Compliance Process stages.*


## 3. BIC/DISCLOSURES

Best interest check
BIC/BIC lite agreements
Disclosures

*Information from the financial planning tool, corporate data warehouses and external sources converge to feed the BIC/Disclosures process where agreements, disclosure reports and other documentation are generated.*


## 4. COMPLIANCE PROCESS

Trade surveillance and reporting
T+1 risk mitigation
Workflow for process and report tracking

*Information from the KYC, Product Selection and BIC/Disclosure stages feeds the Compliance Process, which is managed by our compliance surveillance solution to enhance advisor productivity and supervisory controls.*

# SERVICES TO HELP YOU

Are your current systems compliant? How much will you need to spend to become compliant? What modifications will need to be made now and in the future? How much will it cost to manage and maintain all of these systems in the years to come?

FIS has the business, technology and ERISA expertise to help you analyze your options, determine the best path forward, and manage your technology environment.

## Consulting Services

- Capco, an FIS company, is a leading global management technology consultancy focused on the financial services industry
- Can analyze your current business and technology environment, and help you determine the most effective and cost efficient way forward under the new fiduciary rule

## ERISA Fiduciary Services

- Reliance Trust, an FIS company, provides special ERISA fiduciary services to retirement plans of all types and sizes
- Can serve as trustee, investment manager (ERISA 3(38)) or investment advisor (ERISA 3(21)), including services for plans with publicly traded employer stock
- A comprehensive suite of other special fiduciary services including independent fiduciary review of litigation settlements and for compliance with prohibited transaction exemptions

## Managed Investment Services

- A comprehensive, fee-based wealth management platform offering a greater scope of investment options
- Offers a suite of options leveraging professional money managers and institutional-quality research
- Provides various levels of control based on firm/advisor preference, and features mutual fund, ETF and separately-managed account options

At the foundation of every regulatory challenge impacting organizations across the financial industry is FIS' **Center of Regulatory Intelligence**. The Center provides the latest information, thought leadership and cutting-edge regulatory insights into the risk, information security and compliance issues impacting our clients – including particular focus on the DOL's fiduciary rule.

Based in Washington, DC, the Center interfaces with key policymakers to provide industry perspectives on the potential impacts of regulatory mandates, and translate policy, legislative and regulatory developments into actionable intelligence.

# WHY FIS?

## 1. DATA FEED-READY

Many of our existing solutions already accept the required data feeds to address new fiduciary rule requirements

## 2. SEAMLESS USER EXPERIENCE

Our solutions integrate to deliver an efficient and seamless workflow for your clients and advisors

## 3. NEW DOL FUNCTIONALITY

FIS is developing functionality and solutions to address the DOL's new fiduciary rule

- Client data aggregation and profiling
- Product verification
- Best interest analysis Compliance review
- Due diligence documentation and retention

## 4. OPERATIONAL EFFICIENCY

Integration across our wealth solutions, leading fully-disclosed custodians, and outsourced middle- and back-office functions help advisors improve margins, spend more time with customers, and become more competitive

## 5. DEEP DOMAIN EXPERTISE

- Full-time ERISA attorneys on staff
- Consulting services
- Special ERISA fiduciary services
- Center for Regulatory Intelligence
- Experienced product experts

## 6. PROVEN TRACK RECORD

We've already helped hundreds of broker-dealers, insurance companies and RIAs:

- Improve advisor productivity
- Enhance the customer experience
- Reduce regulatory and operational risk

FIS

## LET’S HAVE A CONVERSATION.

Contact us today.
Visit fisglobal.com or email getinfo@fisglobal.com.

**DOL***viewpoints*

# THE DOL FIDUCIARY RULE:
# *Retail Annuity Manufacturers' Perspective*

LIMRA Secure Retirement INSTITUTE®

Companies have had time to assess the implications of the Department of Labor's fiduciary rule and how they will likely respond. The LIMRA Secure Retirement Institute surveyed members in September 2016 to gain insights.

## OVERALL, 3 IN 4 ANNUITY MANUFACTURERS HAVE OR PLAN TO BUILD *FEE-BASED* ANNUITIES

Type of fee-based annuities companies have or plan to build in 2016 or 2017

| Fee-based Annuities: | Have fee-based annuity | Plan to build fee-based annuity | Do not have and have no plans to build this fee-based annuity in 2016/2017 |
|---|---|---|---|
| Variable (VAs) | 32% | 26% | 47% |
| Fixed Indexed (FIAs) | 5% | 45% | 53% |
| Fixed Rate Deferred | 0 | 5% | 95% |
| Single Premium Immediate | 5% | 11% | 87% |
| Deferred Income/QLAC | 0 | 8% | 92% |

- **ROUGHLY HALF OF THE COMPANIES HAVE AND/OR PLAN TO BUILD FEE-BASED VAs AND/OR FIAs**
- **FEE-BASED VA AND FIA PRODUCTS ARE EXPECTED TO PROVIDE A MODERATE INCREASE IN 2017 ANNUITY SALES.**

## METHODOLOGY

38 companies participated in the survey, representing 84 percent of Q2 2016 year-to-date retail annuity sales.



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**INSIDE:** Proactively approaching change with a plan can help make the transition as smooth as possible.

## FIVE TIPS TO EASE THE STRESS OF CHANGE

Change can often be stressful, and working in an industry where there's a constant flow of regulatory changes, such as the recent Department of Labor (DOL) fiduciary rule, may require an effective communication strategy to help relieve fears and strengthen relationships with your clients and staff. The tone, tenor, and delivery of your communications can set the stage for success, or it can cause setbacks.

All too often, it's easy for people leading change to focus on the logistical elements and pay far less attention to the people elements—how staff and clients will react to changes and what can be done to help everyone understand what's happening and why.

Remember, although the strategic decision-makers have had weeks or months to adjust to the change by the time you announce it, other stakeholders, such as staff or clients, will be hearing it for the first time. By taking an intentional approach to your communications, thinking through the effects on various audiences and how you can best support them, you can help make navigating change as smooth as possible for you and key stakeholders.

> Outline the distinctions between how things are and how they will be, and make it clear what's causing these changes.

## 1. EXPLAIN THE CHANGES AND WHY

Your first and most important step is to clearly articulate the changes. What, exactly, will be different than it is now? Outline the distinctions between how things are and how they will be, and make it clear what's causing these changes.

If you're responding to new regulation, consider explaining what the new regulation is and what would happen if you avoided change and continued business as usual. Describe the consequences of not changing processes to address the new regulation and highlight how the positive impact of the new regulation will outweigh the pains of making the transition. Using this powerful narrative tool of contrast, you can more clearly illustrate the benefits of how things will be and help stakeholders understand the need for change.

Once you've gotten everyone on board, continue to reinforce that mindset throughout the process. Keep the future vision in front of people so they have a reminder of what they're working for.

## 2. SHARE INFORMATION AS SOON AS POSSIBLE

When people are confused or uncertain, they'll often talk to each other to try to make sense of what's going on. The less information they have, the more they'll speculate. You can prevent this by sharing as much as you can as early in the process as you're able.

When you're unable to share certain details, explain why. Give a timeline, or a best estimate, of when people can expect to learn more, and consider whether the kind of change you're managing is better served by a stream of minor updates or a cohesive communications plan. For more substantial changes—for instance, if you have or may need to reorganize staff—you may lean toward more frequent communication.

## 3. TAILOR MESSAGES TO VARIOUS AUDIENCES

Each of your audiences will have different needs. Internal audiences, such as staff, may benefit from a more straightforward, honest tone, while external audiences, like clients, could need more confidence, reassurance, and vision.

Plan, also, for how you'll deliver communications to each audience. Will your clients get a call? Will you share your plans with staff during a meeting? Will you provide any supplemental material? How frequently should you communicate with each audience?

**HOW DO YOU COMMUNICATE CHANGE?**

"In times of increased volatility, I set face-to-face meetings with my clients. They appreciate the effort to check in about market conditions. I remind them of the long-term plan we both agreed on before starting our journey."

*Nirotam Mahes, Financial Advisor, Astoria Bank*

"Our team uses LPL Research, affinity vendors, and client-facing publications to effectively communicate in times of volatility."

*Diane Knight, Partner, RedRock Financial & Insurance Services*

"I've always prided myself on speaking to people in language they understand, and never is that more important than during market turmoil."

*Matt Griffin, Program Manager, Family Trust Credit Union*

# 4. BE SPECIFIC

What, exactly, will be changing? What does it look like now, and how will it look once the changes are implemented? How will the audience you're talking to be affected? If you're speaking to clients, be clear about the details of process, contract or compensation changes. If you're talking to staff, clarify how their daily lives will be affected. Will they have more tasks? What are those tasks?

Also, make sure you're clear about how people will be supported. Share the resources you'll make available and how your stakeholders can access additional guidance.

# 5. GIVE OUTLETS FOR FEEDBACK

Provide multiple channels and multiple opportunities for people to reach out to you. In addition to reassuring people you're listening to them, you may find that keeping communication channels open helps you gather information you might not have known otherwise. You can then incorporate feedback into future steps in the transition.

### Leading the Way During Times of Change

At LPL Financial, we help advisors like you navigate through change and find new opportunities while managing disruption to their practices.

Since the first mention of the Department of Labor (DOL) fiduciary rule, LPL has been preparing solutions from all angles of our business for any potential outcome. The full resources of our firm are at work to provide advisors the tools they need, the knowledge they crave, and the support they deserve.

Here are some of the things we're doing for our current advisors and clients:

- Maintaining an online DOL information center, updated frequently with the latest news and developments
- Supporting a specialized DOL Service Center team, available to answer questions on all things DOL
- Hosting weekly DOL forum calls with LPL leadership to provide updates on our solutions and interpretation of the ruling
- Lowering advisory fees and minimums across several platforms and streamlining the process to move accounts from brokerage to advisory, where appropriate for the client
- Introducing a robo-inspired, low-cost advisory solution that couples a digital investment platform with advisor review and advice, allowing advisors to compete in the space while maintaining the human component
- Developing a mutual fund brokerage account that will replicate the cost of direct business while offering the efficiency of a single custodial platform

# YOUR PRACTICE, YOUR WAY

However you envision the future of your practice or program, LPL's comprehensive support and broad range of innovative business models can help you build and grow your business, your way. LPL understands that independence doesn't have one single meaning. Whatever lens you view your independence through, LPL is here to support and provide clarity to that vision. Here are just a few ways how:

- Be an independent financial advisor at LPL with access to custodian services and a fully integrated platform to address the varied needs of your clients.
- Leverage the LPL Hybrid RIA model, which allows you to join LPL's broker/dealer platform while maintaining your RIA firm.
- Join an existing practice, bank, or credit union for established infrastructure, structured support, and access to new referral sources.
- Specialize in retirement plans and leverage tools and resources built *by* retirement plan advisors, *for* retirement plan advisors.
- Bring your entire practice or build one—LPL offers customized clearing, advisory platforms, and technology solutions to help create efficiencies and scalability within your practice.

If you're ready to transition to a firm that's laser focused on preparing for all outcomes, one that empowers you and sets you up for strength and success, call LPL Financial at (888) 250-2420.



## About LPL Financial

LPL Financial, a wholly owned subsidiary of LPL Financial Holdings Inc. (NASDAQ: LPLA), is the nation's largest independent broker/dealer (based on total revenues, *Financial Planning* magazine, June 1996–2016), an RIA custodian, and an independent consultant to retirement plans. LPL offers proprietary technology, comprehensive clearing and compliance services, practice management programs and training, and independent research to more than 14,000 financial advisors and approximately 760 financial institutions. In addition, LPL supports approximately 4,500 financial advisors licensed with insurance companies by providing customized clearing, advisory platforms, and technology solutions. LPL and its affiliates have more than 3,400 employees—with primary offices in Boston, Charlotte, and San Diego.

LPL Financial, a registered investment advisor, member FINRA/SIPC
BD-0099-0916 Tracking# (1-533676 exp. 9/17)

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# Fiduciary Assure®

Offering your plan robust co-fiduciary support for investment selection and monitoring

MassMutual

FOR PLAN SPONSOR USE ONLY.

## Fiduciary Assure at a glance

**In your hands:**

- Investment option recommendations
- A sample Investment Policy Statement
- Quarterly monitoring of investment options
- Quarterly Market Commentary

**At your back:**

- Shared fiduciary liability relating to investment selection

## You're looking out for employees. Who's looking out for you?

You want your employees to succeed, not only at work but also in preparing for their retirement. You provide them with the resources and tools they need, while you make available to them a group of diversified investments. It's a job that comes with great responsibility and sometimes, liability. All the positive things you do can be undone with even the simplest misunderstanding of your fiduciary responsibility.

But don't worry. MassMutual's Fiduciary Assure® program, powered by Envestnet Retirement Solutions, LLC (ERS) is here to support you. By providing investment recommendations that are compliant with ERISA Section 404(c), the Fiduciary Assure service *may help insulate* you against legal claims that can result from offering inadequate or inappropriate investments.

## What is my fiduciary responsibility?

If you're not sure, you're not alone. It's one of the most complex and misunderstood parts of administering a retirement plan. And not every plan sponsor has the time and resources to stay on top of it all. Among your responsibilities as plan fiduciary is investment selection. In simplest terms, if you select investments for a plan or hire someone to do it for you, you have fiduciary responsibilities.

**40%** of sponsors say they aren't a fiduciary or aren't sure

**20%** aren't sure if their adviser is a fiduciary

MassMutual proprietary plan sponsor survey conducted by Greenwald & Associates, 9/8/2015.

# How it works

Fiduciary Assure gives you objective guidance from Envestnet Retirement Solutions, LLC (ERS) — an independent third party — when making investment selections for your plan. You don't have to be an investment expert. You don't have to shoulder all the responsibility yourself for investment selection. Working with a financial professional, you can select the program that best suits your plan's needs.

## Choose your options

| | **Fiduciary Assure 3(21)**<br>**ERS offers non-discretionary fiduciary support.** | **Fiduciary Assure 3(38)**<br>**ERS acts with discretion as an investment manager.** |
|---|---|---|
| Plan set-up | During the initial investment selection process, ERS provides investment recommendations that are compliant with ERISA Section 404(c). | |
| | Plan sponsor develops the investment lineup ensuring that at least one ERS Approved List[1] fund from each core asset class is included. Plan sponsors may also choose the ERS Select List[2], a pre-selected plan investment lineup. | ERS or plan sponsor develops the investment lineup ensuring that at least one ERS Approved List[1] fund from each core asset class is included. Plan sponsors may also choose the ERS Select List[2], a pre-selected plan investment lineup. |
| Asset class requirement | Line-up must include one Approved List fund in each of four core asset classes: cash equivalent, domestic bond, domestic equity, and foreign equity. | |
| Investment policy statement | As part of the service, Fiduciary Assure provides a sample Investment Policy Statement to demonstrate that the plan is monitored from an objective point of reference. | |
| Monitoring and reporting | ERS monitors your plan and reports back how your investments are doing. Your quarterly report includes:<br>• An updated Approved List with the current investment options<br>• Market Commentary on the previous quarter<br>• ERS's unique S.C.O.R.E. Model, which evaluates your plan investments according to style, cost, organization, risk, and execution | |
| Ongoing maintenance | Plan sponsor is responsible for making ongoing investment line-up changes in order to maintain core asset class requirements. | ERS will direct MassMutual to adjust the investment lineup as needed in order to meet core asset class requirements. The plan sponsor would also have the ability to consult with ERS on proposed investment changes, prior to execution. |
| Cost | Included in standard new plan pricing.[3] | |

1 Approved List – A broad range of investment options in four core diverse asset classes appropriate for retirement investing: Cash Equivalent, Domestic Bond, Domestic Equity, and Foreign Equity. You must choose at least one option from each asset class to build your plan lineup.

2 Select List – Fiduciary Assure selects from the Approved List for you, creating a subset that you can conveniently pick to serve as your plan's investment lineup.

3 An additional 2 bps. may be charged for new custom priced plans or plans with assets greater than $5 million. Existing plans may be subject to a pricing review.

## Competitive advantage

Additionally, MassMutual's flexible 3(38) Fiduciary Assure program stands out when compared to the industry standard, as shown below.

| | MassMutual 3(38) program | Industry standard 3(38) program |
|---|---|---|
| Flexibility | Plan lineup created from a broad array of ERS Approved List/Select List funds, offering added flexibility and smoother plan conversions. | Plan lineup limited to a narrow, predetermined list. |
| Cost | 3(38) program is included in standard new business pricing.[4] | 3(38) programs are assessed an additional fee ranging from 2 bps. to 6 bps. |

## Advice, assistance, protection

As a plan sponsor, you retain overall fiduciary liability for your plan. But through Fiduciary Assure, Envestnet Retirement Solutions acts as an investment co-fiduciary for investments on its Approved List. ERS will perform its independent duties to the plan, and fulfill the plan obligations with respect to investment option monitoring in compliance with ERISA. This agreement helps mitigate the investment option selection and monitoring risks assumed under ERISA.[5] Remember, ERS acts as a co-fiduciary and does not take discretion, authority, or control over plan assets.

4 An additional 2 bps. may be charged for new custom priced plans or plans with assets greater than $5 million. Existing plans may be subject to a pricing review.

5 The specific legal protection offered by ERS is governed by the agreement between ERS and the plan sponsor. Nothing stated in this brochure is intended to modify such agreement.

# Meet Envestnet Retirement Solutions

Envestnet Retirement Solutions, LLC (ERS) is an SEC-registered investment adviser and is the fiduciary provider for the MassMutual Fiduciary Assure program.

ERS is a majority-owned subsidiary of Envestnet, Inc. (NYSE: ENV). ERS and Envestnet, Inc. are not affiliated with MassMutual or any of its subsidiaries.

## Making it easy

Fiduciary Assure is entirely online, which means you can access your plan's information whenever you need it. As plan sponsor, you'll have a custom webpage at the ERS site where you'll find all your documentation, reports, commentary, and more. You can also visit the site to learn more about ERS and to e-sign your sponsor agreement.

We're proud to offer you Fiduciary Assure as part of our commitment to help you meet your fiduciary responsibilities.

To learn more, visit **www.envestnetrs.com/fiduciaryassure.**

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## Financial readiness, readily available for your employees

Creating a workplace where people feel supported and confident about their financial future begins with the choice you make in a benefits partner, because when your employees are confident about their financial future, chances are they're more productive in the present. massmutual@work℠ helps you to build a committed workforce, with retirement and protection solutions all paired with guidance to help your employees improve their financial wellness. **You've got this.**

MassMutual FINANCIAL GROUP®

We'll help you get there.®

**To learn more about how we can help, speak with your financial professional or local team at MassMutual.**

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MORNINGSTAR®

# Avoid These 7 Fiduciary Rule Mistakes

The U.S. Department of Labor's fiduciary rule, which imposes a standard on advisors serving retirement accounts, will force some big changes in the investment industry. But there are some misconceptions out there, especially when it comes to the new rule and its impact on registered investment advisors. Here are the big ones.

**1—RIAs are already working as fiduciaries, so they're not affected by the new rule.**

Here's a misconception we see often and feel we need to address. Most of the RIAs (79.9%) in our latest annual survey said that they don't believe the rule affects them*, but the potential impact on their IRA rollover business is significant. RIAs will actually need to make changes to how they serve retirement plans and IRAs, which are specifically identified in the rule. They'll now be subject to more strident requirements for documenting and demonstrating "best interest"—especially in the case of 401(k) rollovers to higher-fee IRAs.

**2—All advisors must use the same best interest contract exemption.**

There are actually several main types of best-interest contract exemption, or BICE, which allows firms to avoid overhauling their compensation models for advisors:

- Full BICE: Full compliance with the fiduciary rule, where the institution is held liable for best-interest advice.
- Disclosure BICE: Covers advice given to ERISA plan participants—a new signed contract isn't necessary, but the advisor still has many of the same obligations as with the full BICE.
- Streamlined (level-fee fiduciary) BICE: A streamlined option where advisors need to provide a written fiduciary statement and document why a rollover from a 401(k), rollover from another IRA, or switch from a commission-based account to a level-fee account is in the best interest of the client. This option is for RIAs who only receive a level fee from the transaction, and not any other commissions or similar compensation.

**3—"Best interest" always means the lowest-cost investment products. Advisors can never recommend actively managed funds, and it will be more difficult to demonstrate value through investment selection.**

Like everything else under the rule, data and documentation are the key to demonstrating your compliance. Things like a client's risk tolerance, stated performance factors, and other client-specific dimensions mean that a product is in a client's best interest in spite of an investment's higher cost. If you can demonstrate this, you'll be better positioned for proving that your process and recommendation were prudent. Factor investing and active funds will still make sense for certain goals, provided the funds are managed consistently and transparently.

**4—Annuities and certain other products are completely off the table.**

We've built a proprietary process to help you determine how and why to recommend a fixed-annuity product that's in your client's best interest. In addition, looking at a portfolio's timeline, goals, makeup, and other factors can often make a compelling case for annuities coupled with other products.

**5—Advisors can't possibly provide the same service to small investors as large clients, so they'll need to let small investors fend for themselves.**

While it's true that the industry is evolving, modern brokerages are adapting to the needs of small investors, not walking away from them. They now frame advice as a multifaceted continuum of service, incorporating a self-directed/automated offering (robo-advice) as an entry-level option for new investors, then transitioning them to more-involved options as their needs and/or assets evolve. Model portfolios composed of best-interest products and indexed solutions represent a lower-touch way of addressing "best interest." And of course, advisors can leverage managed portfolios/outsourced investment managers that may be able to take on some fiduciary obligations, so they can focus on the relationship and a client's goals, priorities, earnings potential, and liabilities.

**6—If it's in the "best interest" of my clients now, it will continue to be in the future.**

Life circumstances eventually create changes to most clients' needs, and asset managers will continue to create new and more-diverse investment products to pursue new segments. Rebalancing, along with ongoing financial planning, tax-aware investing, and integrated advice, needs to be part of every advisor's service—without it, there's no "best interest."

**7—RIAs will no longer have a competitive edge.**

Although all advisors will now be subject to fiduciary requirements related to retirement plans, RIAs must continue to act in clients' best interests in accounts of all types. Even so, acting in a fiduciary role cannot be the sole differentiator in attracting and retaining clients. Financial planning, holistic advice, and personal relationships will continue to drive value.

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**Stay up to date on our latest fiduciary rule analysis.**

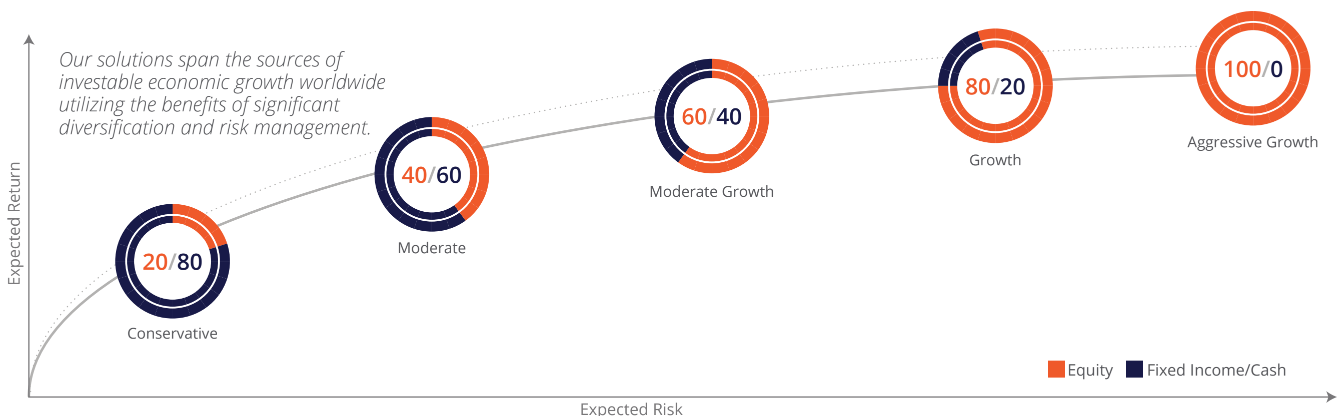
**Email** BestInterestSolutions@morningstar.com
**Go to** global.morningstar.com/best-interest

*Source: 2016 individual investor survey of financial professionals on Morningstar.com

FOLIODYNAMIX
The Wealth Management Solution for Forward Thinking Advisors

# VisX Gateway Asset Allocation Model

An entry point for clients seeking to achieve investment objectives. Core portfolios to build an effective plan around.




Allocations are subject to change and can vary.

## Managed Account Solutions for Clients of Any Size

The decision to begin a disciplined investment process can never come too soon. While some younger investors may follow a "do it yourself" investment route, others may recognize early on the value of building a relationship with a financial advisor. Our VisX Gateway products offer a cost-effective way to help these clients begin saving towards their retirement goals through a fee-based advice model that leverages no-transaction-fee (NTF) funds set along pre-determined asset allocation models to keep costs down.

With a minimum investment as low as $5,000, the VisX Gateway solutions offer a way for advisors to help investors who might otherwise turn to robo-advisors, which do not offer the benefit of in-person support.

## The DOL Fiduciary Rule

Under the new DOL Fiduciary Rule, advisors who counsel investors on retirement goals must act under the fiduciary standard of putting the client's best interest first. As a result, commission-based business becomes increasingly expensive and difficult to justify. While some fee-based models are cost-prohibitive for small balance accounts, the VisX Gateway allocations offer a solution to help advisors, help small investors—who with the right guidance, may very well become large investors. VisX Gateway can be used as a strategic core portfolio for advisors to build on.

## VisX Who and Why

VisX is FDx Advisors' proprietary asset allocation program which builds multi-asset portfolios of Model SMA, Mutual Fund and/or ETF vehicles for accounts of varying size and risk tolerance. VisX merges FDx Advisors' institutional-quality manager research and investment consulting services into straightforward turnkey investment solutions.

## WhyFolioDynamix: The Investment Philosophy

- » Strategic asset allocation is one of the most important decisions when creating a portfolio to meet specific goals while maintaining your risk tolerance.
- » Market timing can leave a portfolio insufficiently diversified, outside your risk tolerance and lower the probability of meeting your goals.
- » Allocate across major asset classes.
- » Diversify within each major asset class to minimize downturns.
- » Rebalance to keep your portfolio on track.



Please remember that past performance may not be indicative of future results. The investment manager performance contained in this report is based on the performance reported by the manager. The information is believed to be accurate, but has not been independently verified. The investment manager performance results are shown gross of fees and do not reflect the deduction of investment advisory fees and any other expenses incurred in the management of the investment advisory account. Your actual performance will vary. Investment advisory fees are described in Part II of the advisor's form ADV. Actual performance results will be reduced by fees including, but not limited to, investment management fees and other costs such as custodial, reporting, and evaluation services. The net compounded impact of the deduction of such fees over time will be affected by the amount of fees, the time period, and investment performance. For example, an account with a 1% annualized investment management fee, deducted quarterly, with 5 year annualized performance of 10% before fees, will have a net annualized performance of 8.93%. Compounding will similarly affect the account's performance on a cumulative basis. Specific calculations of net of fees performance for a given fee structure and gross of fees performance can be provided upon request. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by FDx Advisors, Inc.), or any non-investment related content, made reference to directly or indirectly in this brochure will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this brochure serves as the receipt of, or as a substitute for, personalized investment advice from FDx Advisors, Inc. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. FDx Advisors, Inc. is neither a law firm nor a certified public accounting firm and no portion of the brochure content should be construed as legal or accounting advice. A copy of the FDx Advisors, Inc.'s current written disclosure statement discussing our advisory services and fees is available upon request. The names of actual companies and products mentioned herein may be the trademarks of their respective owners.

# FP Pad Financial Advisor Technology Landscape

## CRM

REDTAIL

JUNXURE

Wealthbox CRM

Smart Office Powered by Ebix

salesforce

SALENTICA CRM for WEALTH MANAGEMENT

ADVISORS ASSISTANT

ENVESTNET Tamarac

Advyzon

XLR8

ProTracker Software

GRENDEL

## Document Management

Laserfiche

DocuSign

LASER APP SOFTWARE

Worldox

netdocuments

citrix ShareFile

box

cabinet Document Management Solutions

Docupace TECHNOLOGIES

FutureVault

## Analytics

Hidden Levers

YCHARTS

MORNINGSTAR

ADVISORYWORLD FINANCIAL TECHNOLOGY

RiXtrema

FACTSET

MacroRisk ANALYTICS

kwanti

## Portfolio Accounting

ORION

ENVESTNET Tamarac

ADDEPAR

MORNINGSTAR

AssetBook A Better View

ALBRIDGE AN AFFILIATE OF PERSHING

Advyzon

SCHWAB PERFORMANCE TECHNOLOGIES

SS&C ADVENT

portfoliopathway

CROESUS

interactive ADVISORY SOFTWARE

blueleaf

FinFolio

## Investment Management/Automation

ENVESTNET Tamarac

ORION

tRx

Jemstep by Invesco

FOLIODYNAMIX Wealth Servicing Made Seamless

iRebal

REDBLACK

TRADEWARRIOR

Betterment FOR ADVISORS

trizic

Folio Institutional

RobustWealth

charles SCHWAB INSTITUTIONAL INTELLIGENT PORTFOLIOS

motif

HedgeCoVest

AUTOPILOT

AdvisorEngine

## Financial Planning

MoneyGuide pro

eMoney Advisor

RIGHTCAPITAL

Advizr

MONEY TREE SOFTWARE

ADVICENT

SUNGARD

inStream solutions

RetireUp

ENVESTNET Logix

## Risk Profiling

riskalyze

FinaMetrica

Financial DNA

Pocket Risk

totum

TOLERISK THE SCIENCE OF RISK TOLERANCE

## Data Aggregation/Collection

Quovo

WEALTHACCESS

CIRCLEBLACK Control your wealth. Live your life.

PreciseFP

DataPoints

ByAllAccounts

Aqumulate

finicity

ENVESTNET YODLEE

eMoney Advisor

ORANJ

everplans

@billwinterberg I March 2017