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Presented by




The Fiduciary Impact Survey

2:00 pm EST
November 12, 2012

Moderator: Ray Fazzi

Speakers: Don Trone and Brian Hamburger



Presented by 


Boston Research Group



**Leadership
Center**

for Investment Stewards



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Brian Hamburger,
JD, CRCP, AIFA
Founder and Managing Director
MarketCounsel



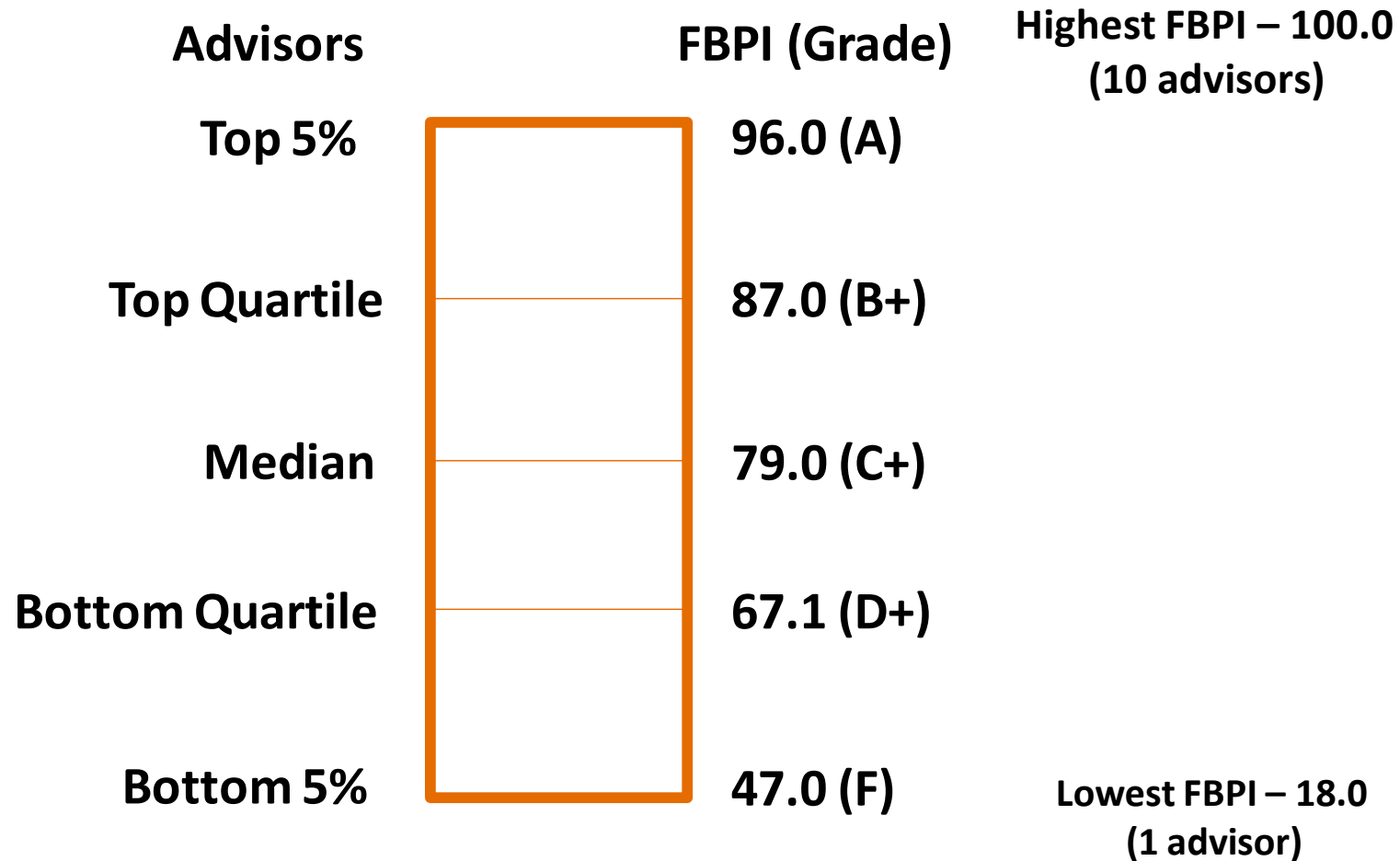
Don Trone, GFS
President
Leadership Center for
Investment Stewards
and
CEO/ Chief Ethos Officer
3ethos



- 1. Benchmark best practices associated with a fiduciary standard**
- 2. Measure the rate of adoption of best practices associated with a fiduciary standard**
- 3. Measure the impact best practices associated with a fiduciary standard have on the success of an investment advisory practice**
- 4. Publish survey results in the form of a "Fiduciary Best Practices Index (FBPI)"**

David Bellaire	FSI, General Counsel and Director of Government Affairs
Bradford Campbell	U.S. DOL, Former Assistant Secretary of Labor for Employee Benefits Security
Bill Chetney	LPL, EVP Retirement Partners
Ron Hagan	Founder, CEO, Investment Fiduciary Leadership Council
Martin Kurtz	FPA, Past President
Elizabeth Piper/Bach	NADA Retirement Administrators, Vice President and Chief Operating Officer
George Revoir	John Hancock, Senior Vice President, Retirement Plan Services
Skip Schweiss	TD Ameritrade Trust Company, President
Mark Tibergien	Pershing Advisor Solutions, CEO
Sean Walters	IMCA, Executive Director and CEO
Gib Watson	Investnet Prima, Group President

2012 FBPI (Fiduciary Best Practices Index)



Distribution of FBPI and Grades

Grade	Percentage	Number of Advisors	Net Whole Grade Percent/ # of Advisors
A+	4.8	24	
A	9.2	46	19.4/ 97
A-	5.4	27	
B+	8.0	40	
B	11.0	55	28.8/ 144
B-	9.8	49	
C+	8.8	44	
C	10.0	50	22.6/ 113
C-	3.8	19	
D+	6.4	32	
D	9.0	45	15.4/ 77
F	13.8	69	13.8/ 69

500 Respondents – over 80,000 points of data

By Registered Status

25.0%	RIA, Federal SEC oversight
32.0%	RIA, State SEC oversight
27.0%	IAR (dually registered)
16.0%	Registered Rep

Which states had the highest, and the lowest, FBPI?

500 Respondents – over 80,000 points of data

By Practice Area

47%	Financial Planners
41%	Wealth Managers
12%	Retirement Advisors

Which Practice Area had the highest, and the lowest, FBPI?

500 Respondents – over 80,000 points of data

By Size (Assets under management)

26%	\$20 mil or less
22%	\$20.1 mil - \$50 mil
28%	\$50.1 mil - \$150 mil
24%	More than \$150 mil

Do you believe there is any correlation between AUM and FBPI?

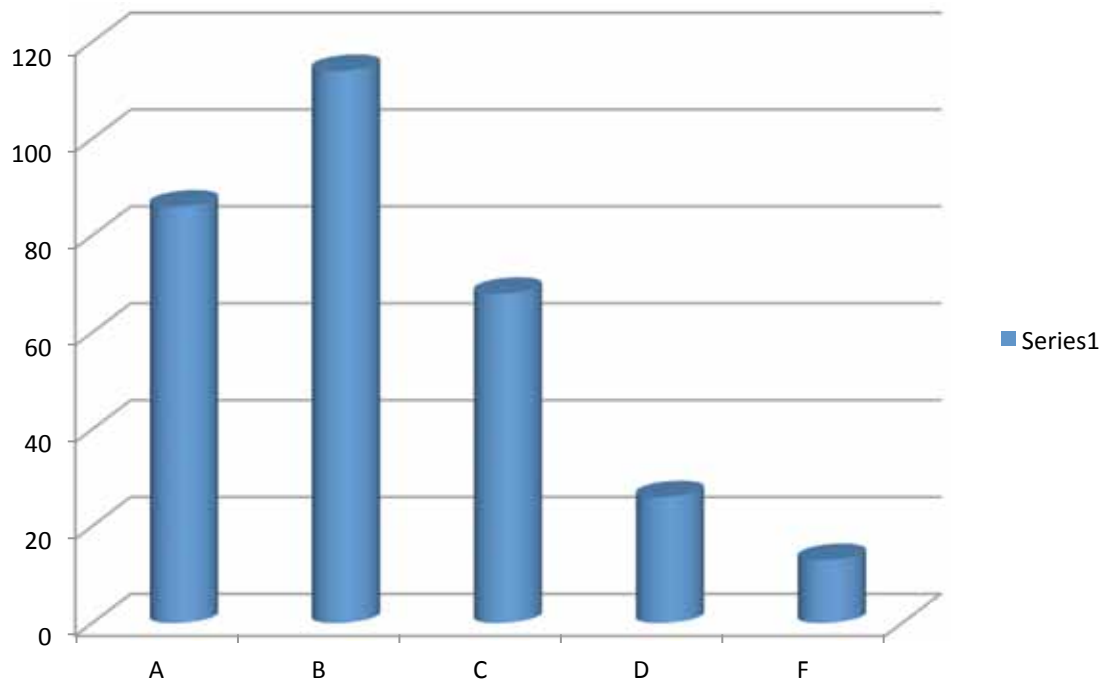
Summary of Findings

1. There is a strong correlation between the acknowledgement of fiduciary status, and the respondent's FBPI (Fiduciary Best Practices Index):

Percent	Fiduciary Acknowledgement	FBPI Grade
61.0%	Acknowledge fiduciary status for all clients	B
19.0 %	Acknowledge fiduciary status for some clients	C-
20.0%	Do not acknowledge fiduciary status	D

“Yes” – The respondent acknowledges fiduciary status for all clients

307 Respondents

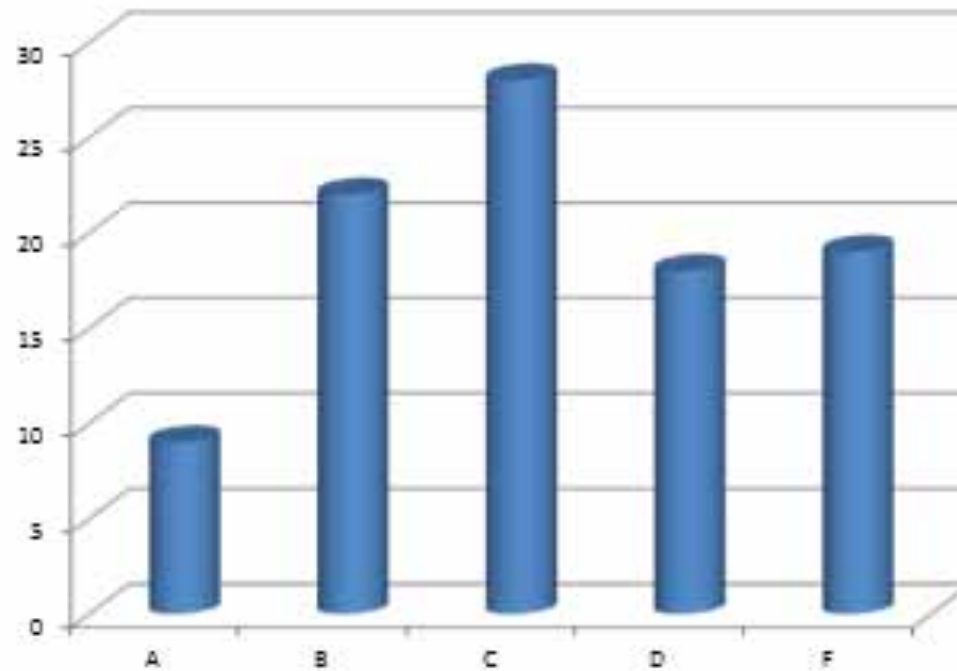


65%

35%

“Some” – The respondent acknowledges fiduciary status for some clients

96 Respondents

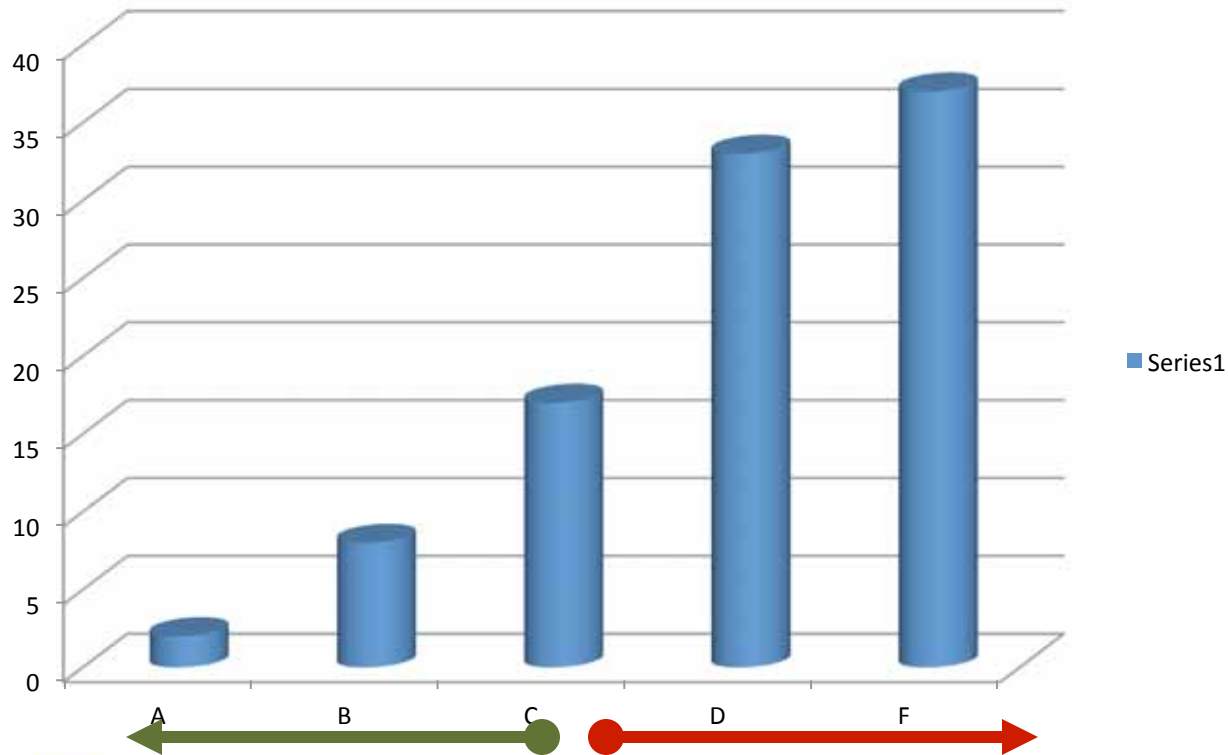


32%

68%

“No” – The respondent does not acknowledge fiduciary status in writing

97 Respondents



Principles


Four questions on the survey dealt with the principles associated with a fiduciary standard of care (in contrast, the remaining questions dealt with the practices):

Question	Percent of respondents who answered "Yes"
a. Do you place the best interests of your clients above your own interests?	99.8%
b. Do you avoid conflicts of interest?	97.8%
c. Do you claim that you are an objective advisor?	95.3%
d. Is it important to you that you work with people who are ethical, and who have integrity?	99.4%



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Summary of Findings

2. There is a strong correlation between a respondent's knowledge of fiduciary Acts and case law, and their FBPI:

Percent	Legal Knowledge	FBPI Grade
23.5%	Familiar with fiduciary Acts and case law	B
69.0 %	Somewhat familiar with fiduciary Acts and case law	C
20.0%	Not familiar with fiduciary Acts and case law	F

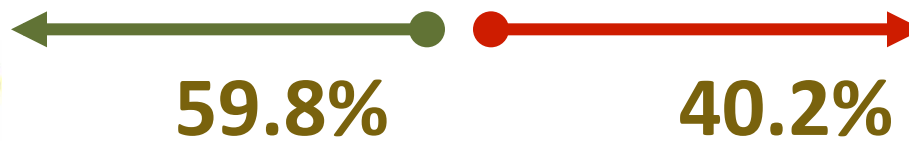
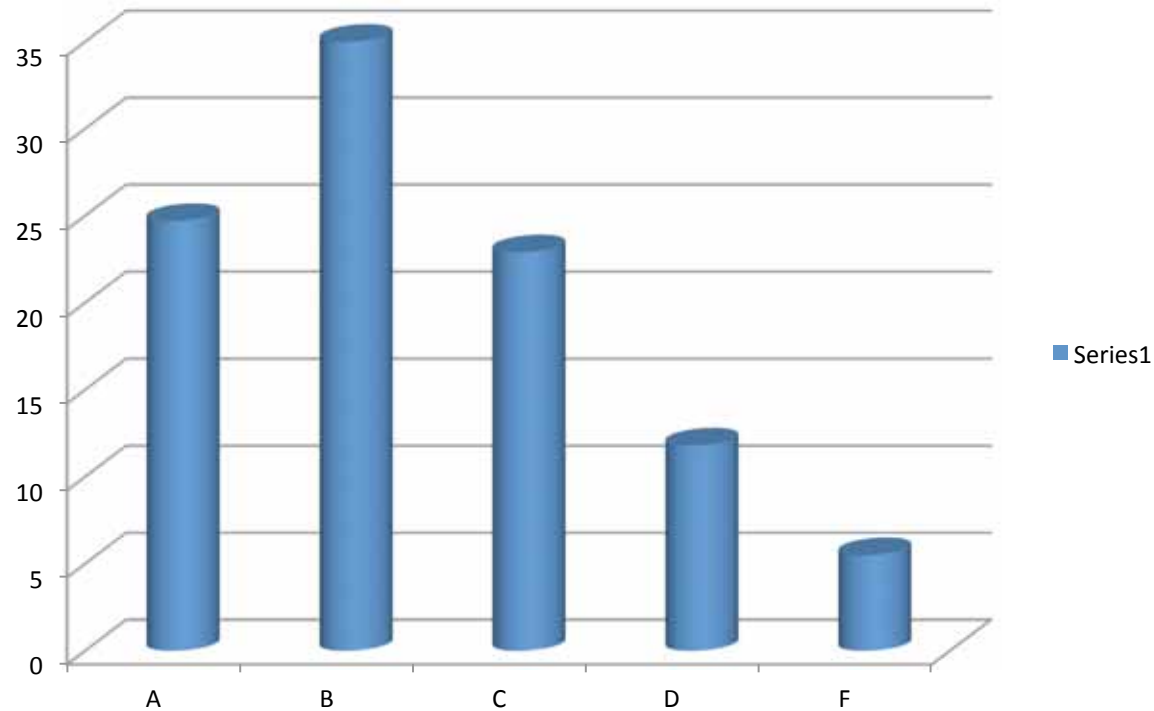
Summary of Findings

3. There is a strong correlation between the respondent having a defined investment process, and their FBPI:

Percent	Defined Investment Process	FBPI Grade
77.0%	Have a defined investment process for all clients	B-
18.5%	Have a defined investment process for some clients	D
4.5%	Do not have a defined investment process	F

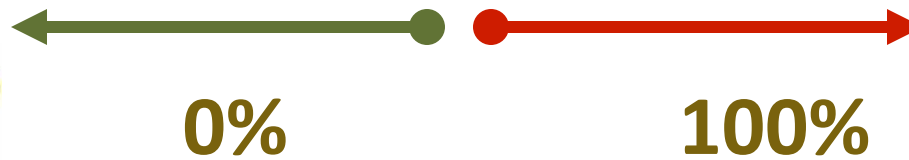
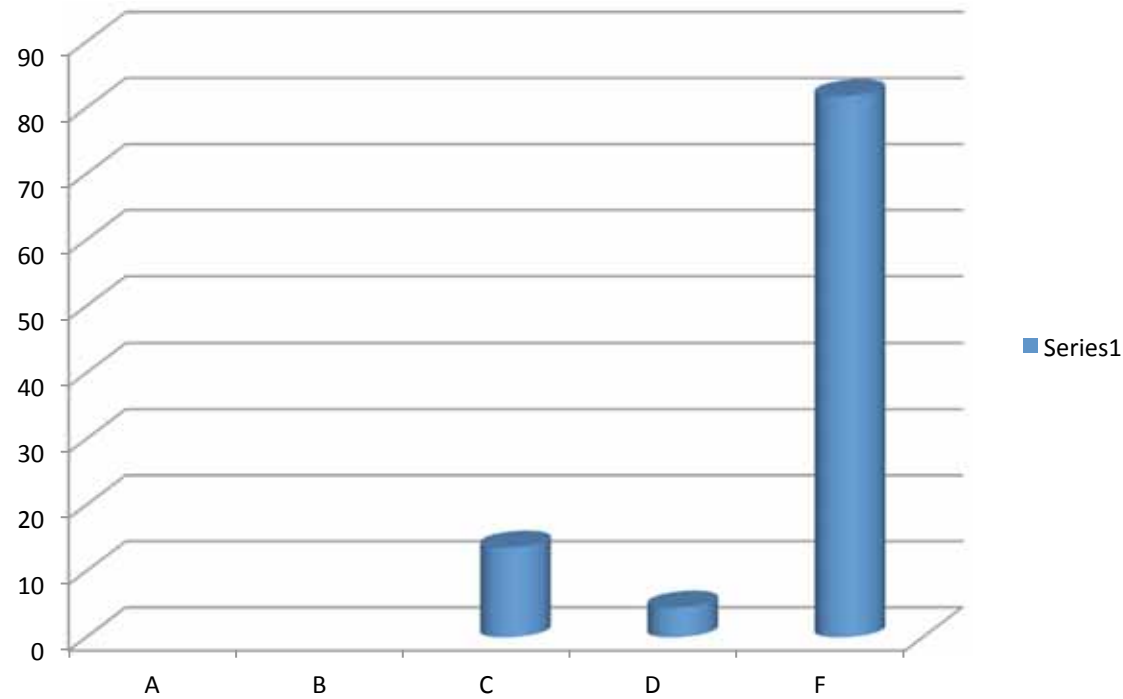
“Yes” – I have a defined investment process which is consistently applied

380 Respondents



“No” defined investment process

22 Respondents



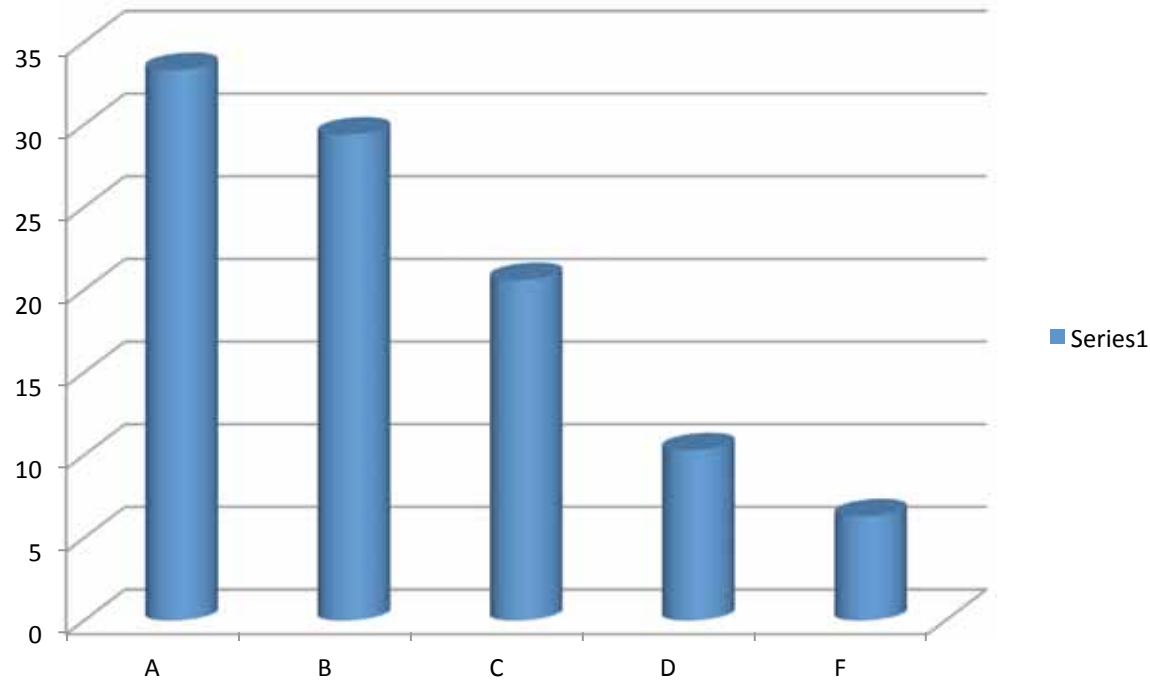
Summary of Findings

4. There is a strong correlation between the respondent's registered status, and their FBPI:

Percent	Registration	FBPI Grade
25.0%	RIA, Federal SEC oversight	B
32.0%	RIA, State SEC oversight- a listing of the 36 states by FBPI has been compiled.	C+
27.0%	IAR, dual registration	C
16.0%	Registered Representative	D

RIA, SEC Oversight

126 Respondents

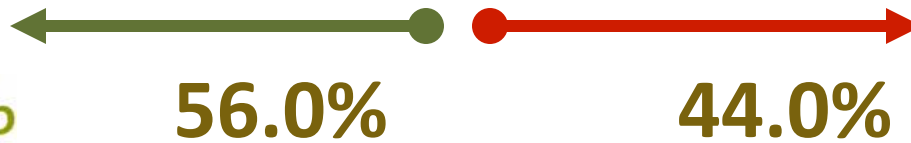
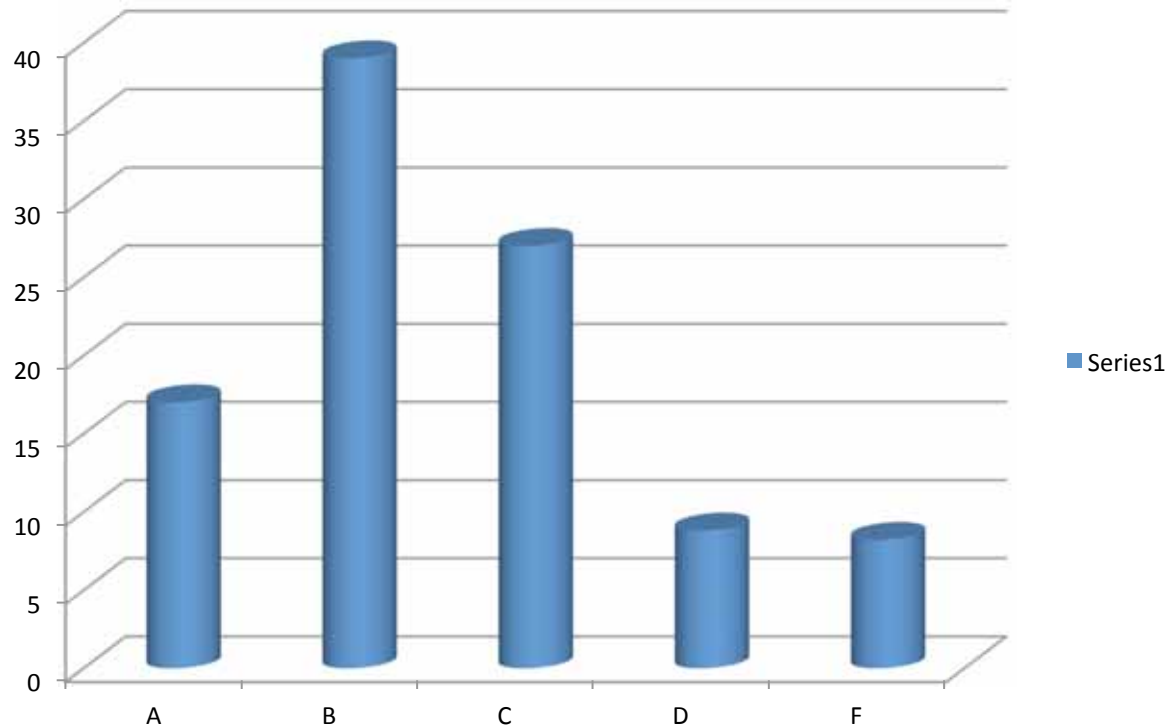


62.8%

37.2%

RIA, State Oversight

159 Respondents



Top

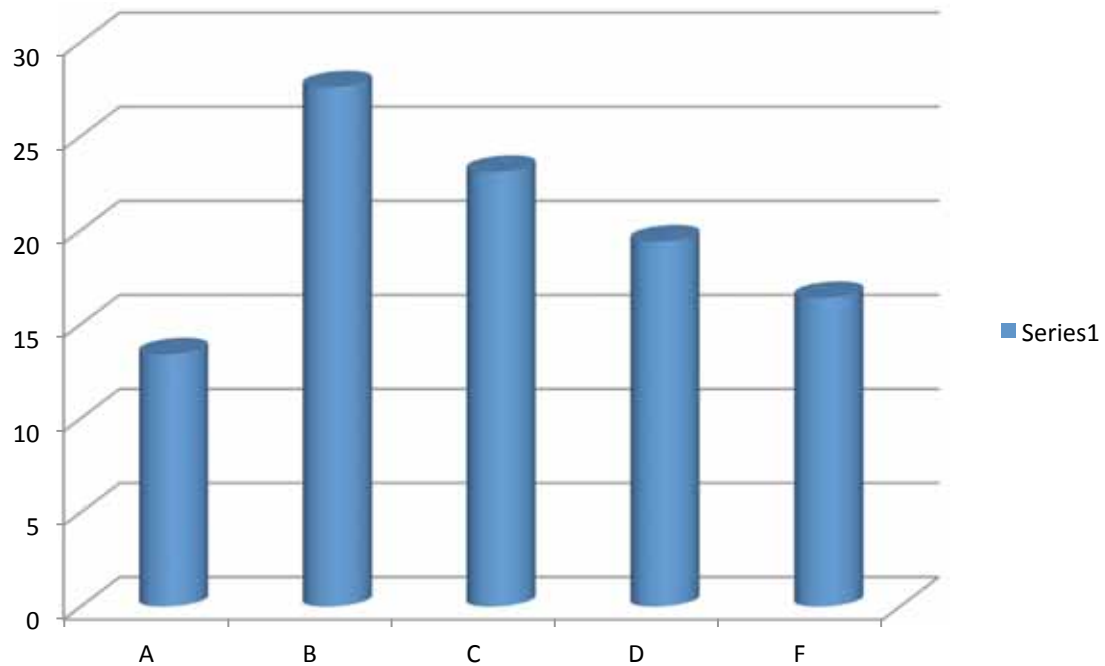
State	Does State Impose Fiduciary Standard on Brokers?	Average FBPI	Grade
AR	No	89	B+
NV	No	88	B+
TN	No	87	B+
WI	Some sort of standard	87	B+
MI	Yes	85	B

Bottom

PA	No	74	C
VA	No	73	C
MN	Some sort of standard	72	C-
WA	Some sort of standard	72	C-
NY	Some sort of standard	71	C-
IA	No	71	C-
NJ	No	71	C-
IL	No	70	C-
MA	Some sort of standard	68	D
DC	No	62	D
MD	No	62	D

IAR, Dually Registered

134 Respondents




41.0%

59.0%

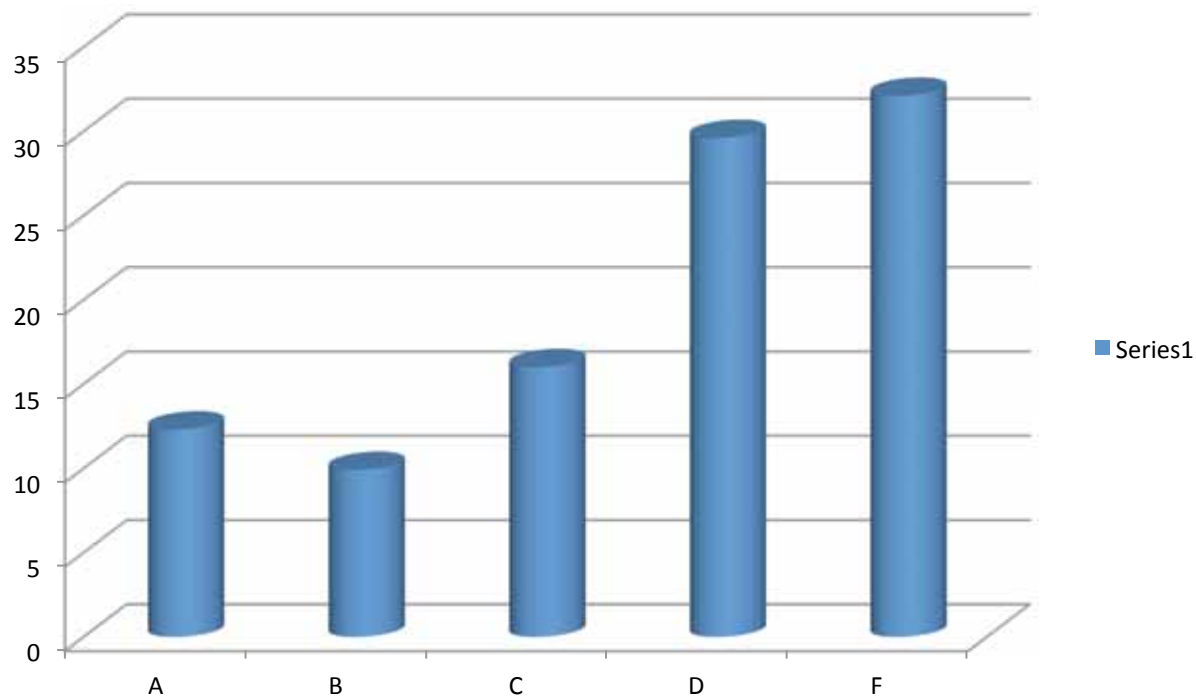


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Registered Representative 81 Respondents



22.2%

77.8%



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Summary of Findings

5. Respondents who identified themselves as a “retirement advisor” tended to have a slight edge over wealth managers and financial planners:

Percent	Practice Areas	FBPI Score	FBPI Grade
12.0%	Retirement advisors	79.4	C+
41.0%	Wealth managers	79.0	C+
47.0%	Financial planners	73.0	C

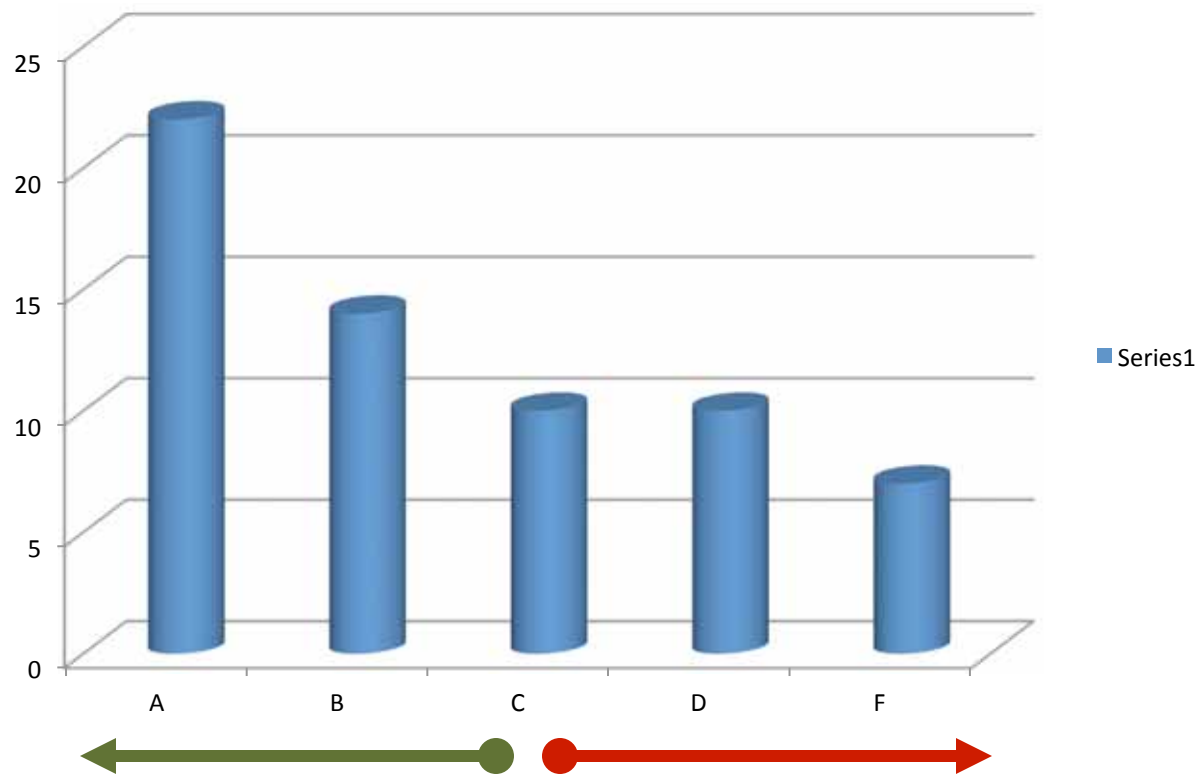
Summary of Findings

6. Respondents who crossed over to other practice areas tended to have a significant edge over other advisors:

Percent	Practice Areas – Sub Groups	FBPI Score	FBPI Grade
2.0%	I am a retirement advisor with some wealth management, foundation and endowment accounts	85.0	B
18.0%	I am a wealth manager with some retirement, foundation and endowment accounts	84.0	B
6.0%	I am a retirement advisor with some wealth management accounts	82.0	B-
10.0%	I am a wealth manager	80.0	B-
8.0%	I am a financial planner with some wealth management, retirement, foundation and endowment accounts	78.0	C+
5.0%	I am a retirement advisor	76.0	C
14.0%	I am a financial planner with some wealth management accounts	75.0	C
13.0%	I am a wealth manager with some retirement accounts	74.0	C
14.0%	I am a financial planner	72.0	C-
11.0%	I am a financial planner with some retirement accounts	71.0	C-

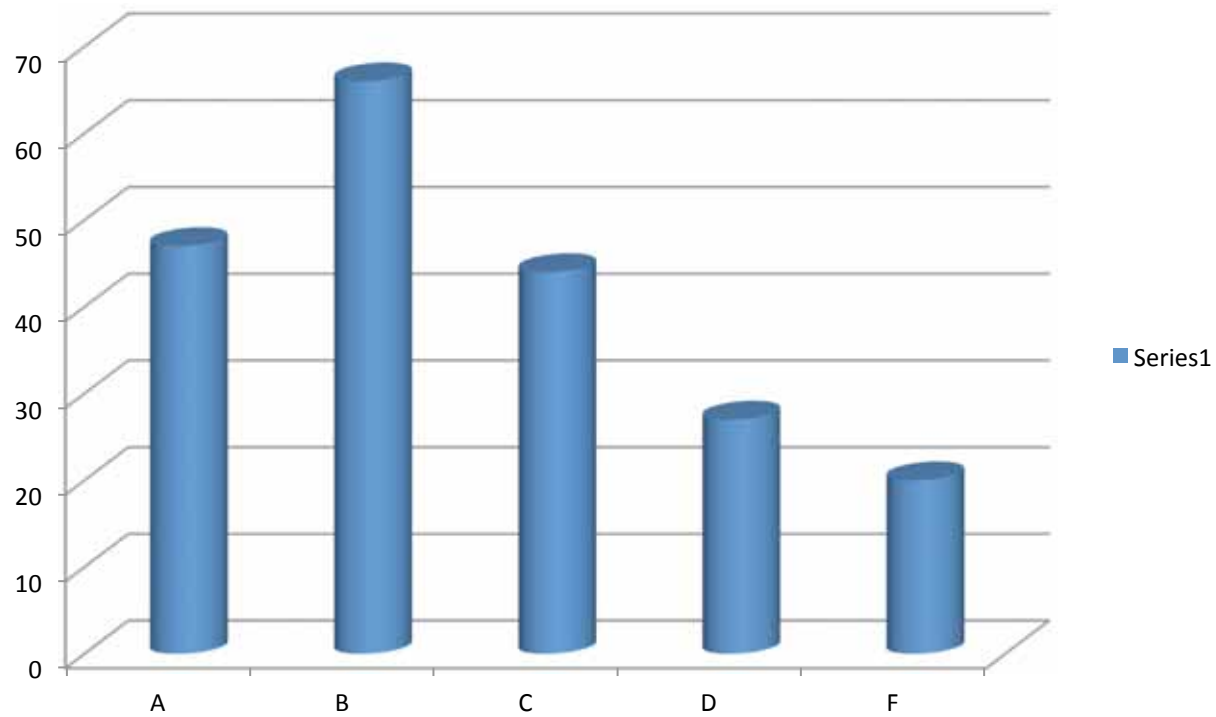
Retirement Advisors

63 Respondents



Wealth Managers

204 Respondents




55%

45%



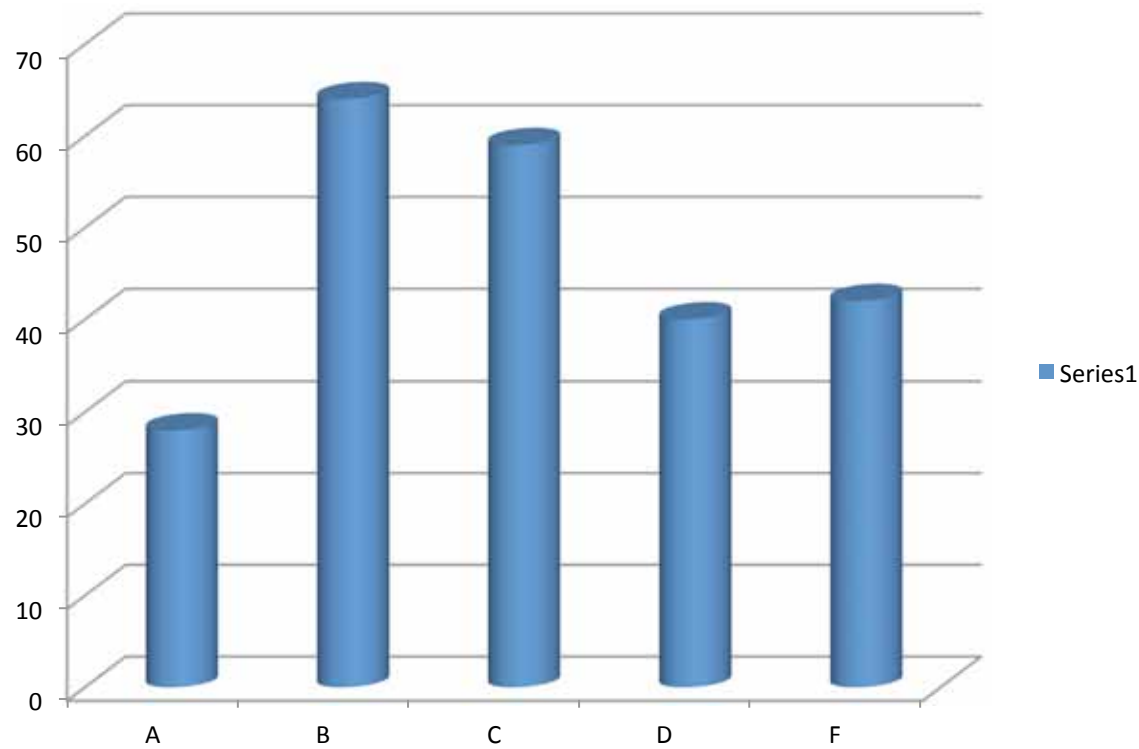
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Financial Planners

233 Respondents




39%

61%



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Summary of Findings

7. There does not appear to be any correlation between the number of client's a respondent services, and their FBPI:

Percent	Number of clients	FBPI Grade
24.0%	1-39 Clients	C
24.0%	40-99 Clients	C+
26.0%	100-199 Clients	C+
26.0%	200+ Clients	C+

Summary of Findings

8. There appears to be a strong correlation between the respondent's minimum account size, and their FBPI:

Percent	Assets Under Management	FBPI Grade
41.0%	\$0k - \$50k	C+
18.0%	\$50.1k - \$250k	C
25.0%	\$250.1k - \$1 mil	B-
16.0%	\$1.1 mil +	B

Summary of Findings

9. There appears to be a strong correlation between the respondent's assets under management, and their FBPI:


Percent	Assets Under Management	FBPI Grade
26%	\$20 mil or less	C
22%	\$20.1 mil - \$50 mil	C
28%	\$50.1 mil - \$150 mil	B-
24%	More than \$150 mil	B

Percent	Best Practice
96.0%	a. Align investment process to avoid conflicts of interest
96.0%	b. Delegate to an expert when lacking expertise
94.0%	c. Use a formal client data gathering checklist
94.0%	d. Monitor investment options on a quarterly basis
88.0%	e. Apply a due diligence process to each recommended investment option
87.0%	f. Use a risk-measurement questionnaire
87.0%	g. Use an independent custodian
80.0%	h. Have a process for monitoring conflicts of interest
79.0%	i. Provide clients a quarterly performance report in addition to the custodial statement



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78.0%	j. Provide clients the option of implementing a portion of their portfolio with a passive strategy
77.0%	k. Provide clients with an Investment Policy Statement (IPS)
66.0%	l. Use asset allocation software or third-party modeling
62.0%	m. Have a formal process for determining when a manager should be terminated
55.0%	n. Provide clients the option of implementing a portion of their portfolio with a SRI strategy
55.0%	o. Have a succession plan
49.0%	p. Benchmark each client's fees and expenses

Next Year

1. Add designations – do CIMA designees have a better handle on fiduciary responsibility than CFP' s?
2. More questions on applied ethics - A recent survey of 500 Wall Street executives revealed that 25% believe that success was only possible when people engaged in "illegal or unethical" practices.
3. Write in other practices associated with a fiduciary standard.
4. Questions about “fiduciary safe harbor rules”



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Final Comments

- 1. A uniform fiduciary standard will not be possible until there is a consensus on:**
 - a. The principles (the Survey indicates there is consensus)**
 - b. The practices (the Survey indicates there is little consensus or understanding)**
 - c. Fiduciary safe harbor (The Survey did not cover this subject)**
- 2. Advisors, firms and organizations need to be more circumspect in the use of the word, “fiduciary.”**

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