

Understanding the Fiduciary Standard

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Mission: “To promote a culture of fiduciary responsibility and improve the decision making processes of investment fiduciaries.

- The evolving definition of a fiduciary
- Key fiduciary duties: loyalty and due care
- Points of regulatory emphasis: transparency and accountability
- Benefits for investors and advisors of fiduciary principles and practices
- Steps you can take to foster fiduciary excellence and communicate added value to clients

Definition

Investment Fiduciary – Someone who is managing the assets of another person and stands in a special relationship of trust, confidence, and/or legal responsibility.

The evolving definition

- DOL expanded definition
 - Advice that is used in decision making
 - Does not have to be regular
- Dodd-Frank authorization for the SEC to extend fiduciary status to all advice providers and harmonize regulations

How do you become a fiduciary?

- Named
- Provide advice
- Exercise discretion
- Can name someone else as a fiduciary

Investment fiduciaries

Stewards – Manage the investment decision making process (trustees, investment committee members, plan sponsors)

Advisors – Provide comprehensive and continuous investment advice (wealth managers, financial advisors, trust officers, financial consultants, investment consultants, financial planners)

Managers – Make investment decisions; select individual securities to implement a specific investment mandate (e.g. large cap growth)

Fundamental fiduciary duties

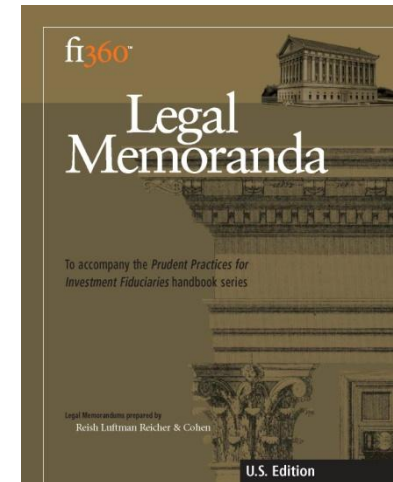
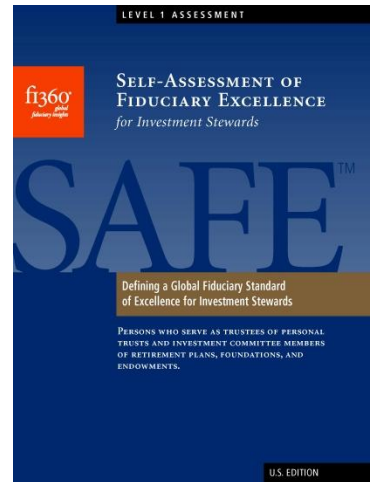
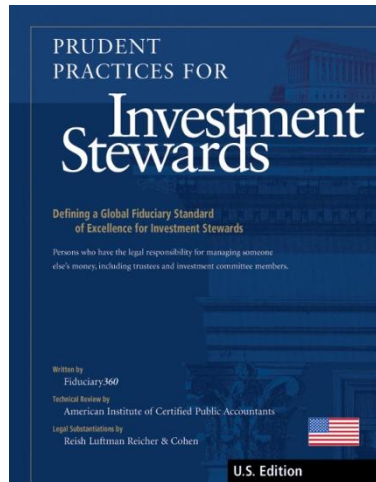
Fundamental fiduciary duties:

- Loyalty
- Due Care

Why they matter:

- Beneficiaries rely upon fiduciaries for superior knowledge, skill and/or control
- Society cannot function properly if confidence in a basic system of human interaction is lost

Precept 1: Know the rules



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Responsibility vs. liability

- Fiduciary responsibilities are the highest known to the law — they can be shared but not abdicated.
- Liability exposures exist where there are unfulfilled responsibilities.
- Fiduciaries can reduce liability by identifying and filling gaps in their practices.

Points of regulatory emphasis

- Transparency
 - Identify and avoid conflicts of interest
 - Mitigate conflicts through disclosure
 - Provide opportunity for better decision-making [e.g. DOL 408(b)(2) rule]
- Accountability
 - Harmonized fiduciary regulation
 - Greater emphasis on enforcement

Benefits for investors

1. Consistent, high standard of care – must serve investors' best interests
2. Better information.
3. Less confusion on roles and responsibilities.
4. Fiduciary excellence increases the likelihood of better investment outcomes.

Benefits for advisors

1. Enhanced reputation and improved market position
2. Professional service opportunities
3. Professional pricing
4. Compete on skill and processes versus price and performance
5. Maximize client satisfaction/retention

Steps to foster fiduciary excellence

- Raise your fiduciary I.Q.
- Review your policies and procedures for alignment to the fiduciary standard.
 - SAFE.Actifi.com
- Consider new or expanded professional services.
 - Consulting to fiduciary clients
 - Advice on aggregated assets

Steps to communicate your value-added fiduciary services

- Focus on process over performance
- Raise your professional profile
 - Credentials
 - Write for publication
 - Public speaking
 - Pick an area of specialization
- Simplify your message
 - Simplify pricing and compensation
 - Prepare a mock RFP
 - Market to professional referral sources

Questions?

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