



Fiduciary Adviser Network

Adviser Program Description

The comprehensive solution for qualified professionals to be successful Fiduciary Advisers, including training, due diligence, sales support, adviser network, record keeping with other support services & tools.

October 2006



Fiduciary Adviser Network Description

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Fiduciary Adviser Network Description

BASIC PROGRAM SUMMARY & COST

The Fiduciary Adviser Network (FAN) is a turnkey solution for advisers seeking to promote advice services to plan sponsors and their participants. The program performs the independent third party review and audit required to provide advice to retirement plan participants. FAN enables advisers to meet the requirements of the Pension Protection Act of 2006, including:

- ✓ Training required to offer and serve as a Fiduciary Adviser
- ✓ Due diligence documentation required by plan fiduciaries
- ✓ Access to employers through the Fiduciary Adviser Network
- ✓ Continuous business development through conferences and seminars
- ✓ Promotion through advertising and public relations

Turnkey Solution		per adviser fee		
		Individual	Small Group (10-99)	Large Group (100+)
Includes All Components	Turnkey Annual Cost	\$1,995 + mailing	\$1,495 + mailing	\$1,295 + mailing
Web Based Training	<ul style="list-style-type: none"> ✓ Fiduciary Adviser: Sales, Services & Responsibilities ✓ ERISA Basics ✓ Investment Selection 			
Due Diligence	<ul style="list-style-type: none"> ✓ Basic Certification: regulatory history, quality of results for existing clients, knowledge of the subject and of potential conflicts of interest ✓ Required Annual Audit ✓ Practice Diagnostic ✓ Sales/Presentation Kit ✓ Fiduciary Adviser certificate 			
Promotion & Support	<ul style="list-style-type: none"> ✓ Print and Web advertising of Fiduciary Adviser Network to plan sponsors ✓ Publish articles in support of Fiduciary Advisers ✓ Leads generated from Adviser Network ✓ Phone based sales assistance 			

Fiduciary Adviser Network Description

INTRODUCTION

The Pension Protection Act of 2006 (PPA) has answered the crying need of employees to get financial advice. This well documented need for personal advice has essentially gone unanswered before PPA because plan sponsors and advisers had unlimited or unknown fiduciary liability for the advice provided. Past attempts to meet this need for advice through third party computer models have failed because the clear need is for personal guidance and not for complex algorithms.

PPA has defined what is and what is not fiduciary liability of both advisers and plan sponsors. As a result the risk of failing to comply has increased and the risks reduced for advisers and plan sponsors who do comply with PPA.

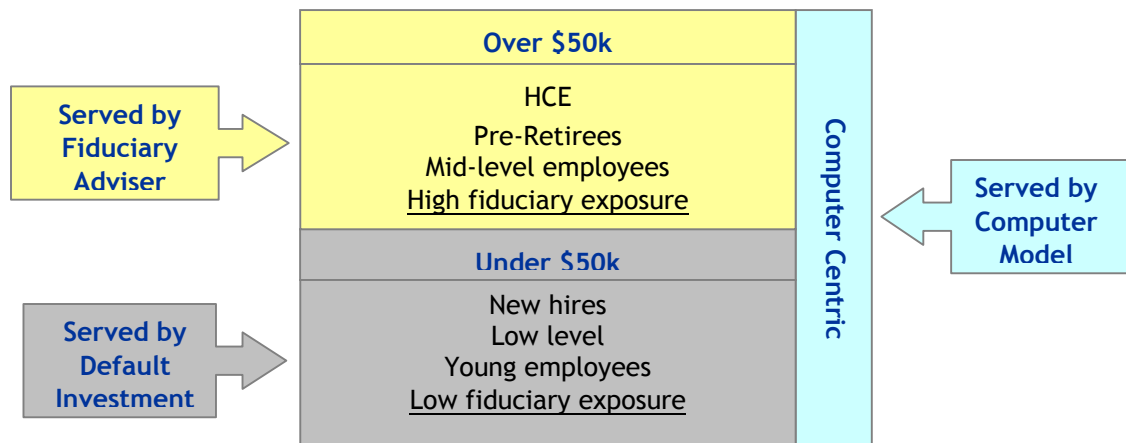
Complying with PPA, Fiduciary Advisers' liability is limited to the advice they offer and the individuals who receive the advice - comparable if not identical to standard that exists in typical wealth management client relationships.

Plan sponsors are relieved of fiduciary liability if the advice provided is by Fiduciary Advisers when certain conditions are met.

- ✓ Every prudent plan sponsor will avoid the risk and take advantage of the safety and protection afforded by PPA while providing a greatly needed employee benefit.
- ✓ Every prudent adviser will become or associate with a Fiduciary Adviser to increase income and protect existing business.

DIVERSE EMPLOYEE NEEDS

PPA permits three methods of packaging investment advice, implying that default investments are for small balances, computer models are for the computer centric employees and fiduciary advisers are for employees with larger balances and needs. The following chart illustrates the typical scenario:





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INCOME POTENTIAL

Fiduciary Advisers will earn an estimated \$500 per employee served each year. Additionally, Fiduciary Advisers have access to the employee’s household assets, rollover funds and can provide a variety of financial services. The following table shows the estimated adviser income:

Plan Adviser Practice with 10,000 Participants	<u>Over \$50k Bal.</u> Served by Fiduciary Adviser	<u>Under \$50k Bal.</u> Served by Default Investment	<u>Computer Centric</u> Served by Computer Model
Estimated employee preference	20%	70%	10%
Number of employees preferring each method	2,000	7,000	1,000
Employees Adopting a Fiduciary Adviser (estimated at 50%)	1,000		
Incremental Fiduciary Adviser Income @ \$500 Per Participant	\$500,000		

WHY YOU NEED CERTIFICATION

Compliance with PPA requires that prospective and existing clients perform due diligence activities of Fiduciary Advisers. This due diligence requires disclosure of client experiences and at the same time, the SEC prohibits the disclosure or use of such experiences except in limited cases, one of which is the DALBAR rating included in the Fiduciary Adviser certification.

Advisers without the DALBAR rating must repeat the due diligence process for each client and prospective client. This is burdensome and time consuming for both the prospect/client and for the adviser. Most plan sponsors will use the less burdensome course of selecting a Certified Adviser who is already pre-qualified.

Additionally, advisers without the DALBAR rating are not permitted to advertise any client-based information in mailings, displays, advertising or other promotion.

The certification process is performed only once per year and permits the adviser to use results in promotion, brochures, advertising as well as present the single due diligence documentation and disclosures to any number of clients.

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TURNKEY FIDUCIARY ADVISER SOLUTION

Fiduciary Adviser Certification meets the requirements of PPA for selection, review and annual audit. The Certification is the one-stop answer for advisers and plan sponsors to take advantage of the Fiduciary Adviser features permitted under the Act, including:

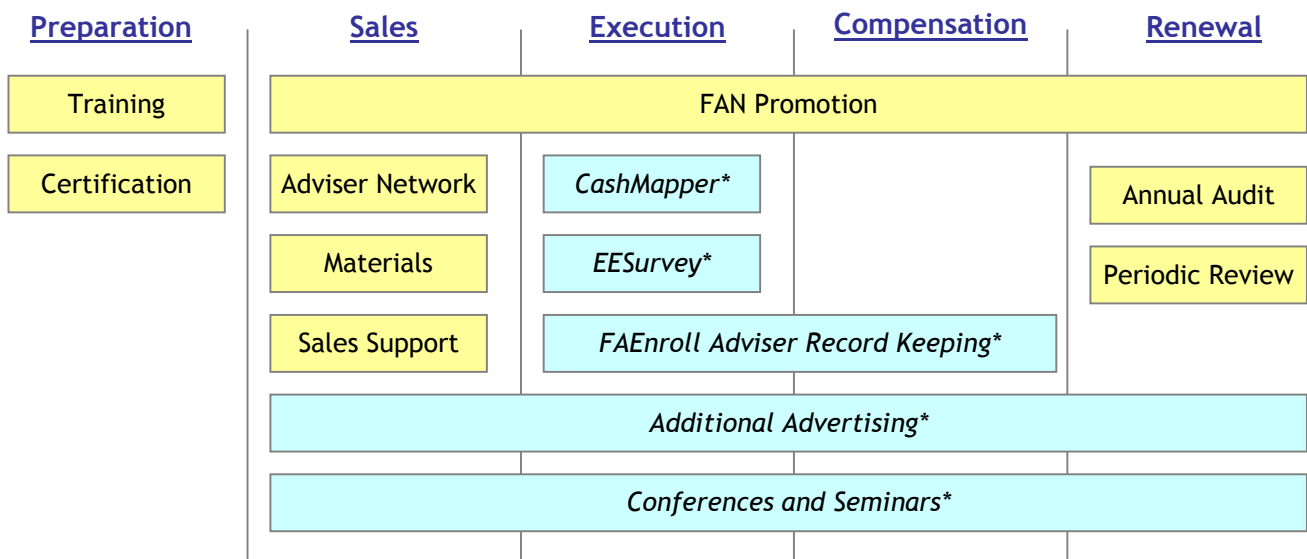
- ✓ Fiduciary compliance and protection for plan sponsors
- ✓ Personal, un-conflicted advice for employees
- ✓ Compensation to advisers for advising employees
- ✓ Advisers’ access to employee’s relationship to household assets, rollover funds and other financial services

Turnkey solution includes training, background check, performance review, audit, as well as the required documentation, sales and presentation materials.

Turnkey solution provides the necessary annual due diligence on the Adviser that is required for the plan sponsor to comply with and realize the benefits laid out in PPA.

ALL THE SERVICES ADVISERS NEED

The Fiduciary Adviser Network basic turnkey solution is enhanced with optional services to maximize adviser income, make the best use of time spent on servicing and reduce administration. The following chart summarizes the suite of services available:



* These services are not included in the basic turnkey solution.



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EMPLOYER ACCESS

FAN provides employers with access to a national network of certified Fiduciary Advisers. This Adviser Network is heavily promoted to plan sponsors as the painless method of finding pre-qualified advisers that will comply with the PPA requirements.

Certified Fiduciary Advisers qualify to be included in this network and receive leads from interested employers, other advisers and providers for Fiduciary Adviser services in their geographic coverage area.

FLEXIBILITY

Fiduciary Adviser Certification is flexible and can be tailored to accommodate a variety of arrangements:

- ✓ Plan sponsors with existing employee advisers that seek the additional benefit of fiduciary protection.
 - *Use only due diligence component.*
- ✓ Plan sponsors seeking pre-qualified Fiduciary Advisers.
 - *Access the FAN database of Certified Fiduciary Advisers.*
- ✓ Plan advisers that seek to protect existing business and expand services as Fiduciary Advisers.
 - *Skip ERISA and sales training*
- ✓ Retail advisers that desire to take advantage of opportunities as a Fiduciary Adviser.
 - *Total solution... training, due diligence, sales/presentation kit*

Fiduciary Adviser Certification is available for:

- ✓ Individual advisers
- ✓ Small practices
- ✓ Large practices
- ✓ Regional and national firms

EASE OF USE

The Fiduciary Adviser Certification is designed to be as efficient as possible in meeting the requirements of PPA:

- ✓ Training that is delivered through Web based interactions that can be taken at times that are most convenient to the adviser. Live instructors are available during business hours for personal support and to guide the training.
- ✓ Background checks that are conducted without adviser involvement except when it may be necessary to get explanations of information that is uncovered.



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In addition, Advisers are:

- ✓ Provided with a template letter to inform clients of the due diligence process and to ask for their involvement.
- ✓ Kept informed of progress.

PPA FIDUCIARY ADVISER BASIC QUALIFICATIONS

PPA specifies that Fiduciary Advisers must be one or more of the following:

- I. registered as an investment adviser under the Investment Advisers Act of 1940 (15 U.S.C. 80b-1 et seq.) or under the laws of the State in which the fiduciary maintains its principal office and place of business,
- II. a bank or similar financial institution referred to in section 408(b)(4) or a savings association (as defined in section 3(b)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1813(b)(1))), but only if the advice is provided through a trust department of the bank or similar financial institution or savings association which is subject to periodic examination and review by Federal or State banking authorities,
- III. an insurance company qualified to do business under the laws of a State,
- IV. a person registered as a broker or dealer under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.),
- V. an affiliate of a person described in any of subclauses (I) through (IV), or
- VI. an employee, agent, or registered representative of a person described in subclauses (I) through (V) who satisfies the requirements of applicable insurance, banking, and securities laws relating to the provision of the advice.



Fiduciary Adviser Network Description

PROGRAM COMPONENTS

FIDUCIARY ADVISER TRAINING

The Fiduciary Adviser Training component covers the role and responsibilities of the Fiduciary Adviser and the process of selling to an employer. During this course, the adviser learns how to:

- ✓ Engage a prospective client (employer)
- ✓ Address most frequently asked questions
- ✓ Make sales presentation to prospective client (employer)
- ✓ Efficiently identify best prospects for personal advice
- ✓ Extend the employee relationship to the total household
- ✓ Capture and consolidate rollover funds
- ✓ Prepare and maintain the required documentation and disclosures
- ✓ Adhere to guidelines of fiduciary responsibility and prudent man rule
- ✓ Prepare for required selection, review and independent audit required for plan sponsors to have fiduciary protection
- ✓ Explain the differences between a Fiduciary Adviser and a non-fiduciary adviser.
- ✓ Explain differences between conflicted and un-conflicted Fiduciary Advisers.

ERISA TRAINING

The ERISA Training component covers the key areas of ERISA that Fiduciary Advisers are expected to know. This training is limited to knowledge required to advise plan participants and does not include the advanced knowledge required to advise plan sponsors. During this course the adviser learns how to:

- ✓ Avoid excess contributions and top-heavy problems
- ✓ Manage vesting and company stock restrictions in the retirement plan
- ✓ Make choices among plans when multiple plans are available
- ✓ When participants should use default investments
- ✓ Take best advantage of employee loans
- ✓ Identify when fund line-up needs to be changed
- ✓ Take advantage of features such as in-force distributions, Roth 401(k) and catch-up contributions



Fiduciary Adviser Network Description

INVESTMENT SELECTION TRAINING

The Investment Selection Training component prepares the adviser to give advice that meets the PPA standards of generally accepted investment theories within the investment options available in the retirement plan. During this course the adviser learns how to:

- ✓ Work with participant to develop financial goals
- ✓ Advise participant on the appropriateness of various risk levels
- ✓ Recommend asset allocations that are appropriate to goal and acceptable risk level
- ✓ Explain the basis of recommendation to participant

CERTIFICATION

Certification provides the screening and documentation required by the plan sponsor to meet the fiduciary obligation of prudent selection of a Fiduciary Adviser. The certification process consists of:

- ✓ Background Check that discloses past regulatory incidents or other publicly available information that is pertinent to the ethics of the adviser.
- ✓ Client Results that invites the advisers existing clients to report on the advisers' past performance in the quality of advice, trust, financial results, satisfaction with services provided and communications. Clients report on:
 - Length of time adviser has provided services to the client
 - Clients' overall rating of adviser
 - Clients' satisfaction with specific services provided by adviser
 - Clients' rating of financial results to date
 - Extent to which adviser has put clients' interest ahead of adviser's own
 - Clients' satisfaction with support of the adviser
 - Clients' profile
- ✓ Knowledge Test to establish knowledge of ERISA. The knowledge test is waived for holders of other qualified certifications.

Fiduciary Adviser Network Description

CERTIFICATION REQUIREMENTS

FAN has incorporated the definition of Fiduciary Advisers under the PPA and the requirement for compliance with existing laws and regulation into the requirements for certifying advisers.

There are two categories of requirements. One based on the PPA and the other based in the Investment Advisers Act of 1940 (40 Act).



PPA Requirements

Fiduciary Advisers must be or be affiliated with either an RIA, Bank, Insurance Company or Broker/Dealer.

The advice given by a fiduciary adviser cannot affect the adviser's own compensation or that of any affiliated organization.

In addition to requirements of all other securities laws, the Fiduciary Adviser must:

- Have an eligible investment advice arrangement that is expressly authorized by the plan fiduciary.
- Submit to an annual audit.
- Provide written disclosures concerning all affiliations, compensation, services available among others.
- Structure compensation to be fair, reasonable and favorable to the plan.
- Acknowledge that he/she is acting as a fiduciary.

40 Act Requirements

The 40 Act prohibits disclosure of client experiences that are required to comply with PPA. The exception to this is documented in the DALBAR No-Action letter.

DALBAR requirements are:

- Adviser must have a minimum of 5 years experience.
- Adviser must be actively engaged in serving clients.
- Adviser must have no serious regulatory infractions.
- A representative group of clients must recognize the quality of advice, trust, financial results, and service to be above average.
- Adviser must be knowledgeable about ERISA and PPA as demonstrated in a test.

Fiduciary Adviser Network Description

CERTIFICATION PROCESS

Advisers undergo a due diligence process that produces the documentation required to qualify for the prudent selection as a Fiduciary Adviser. The certification is updated annually as required by the Pension Protection Act (PPA).

There are four steps to the due diligence before the adviser is certified for one year and receives a certificate, documentation, listing in Network and the right to advertise his/her rating. Failure at any step will terminate the certification process.



Step 1 -Application

Candidates complete an application that asks for certain disclosures to determine if basic requirements are met. Fees are paid at this time and refunded if basic requirements are not met. Regulations prevent refund after application is accepted.

Step 2 -Background Check

A background check is performed to determine if disclosures made on application are complete and accurate. Candidates are notified and given an opportunity to correct erroneous records.

Step 3 -Assess Client Experience

Candidate notifies all clients that they will be contacted by DALBAR and requests their cooperation. DALBAR contacts clients by e-mail or regular mail to answer standard survey questions. Results must exceed national averages.

Step 4 -Knowledge Test

Candidates are tested for knowledge of ERISA and the PPA requirements. Testing is waived for current holders of certain approved designations. Upon successful completion of the knowledge test, candidates receive a certificate and documentation.

Timeframe

Certification process typically requires six weeks, but could be longer if issues arise:

<u>Week 1</u>	Application Review
<u>Week 2</u>	Background Check
<u>Week 3</u>	Notify Clients
<u>Weeks 4/5</u>	Assess Client Experience
<u>Week 6</u>	Knowledge Test

Fiduciary Adviser Network Description

AUDIT

The annual audit required by PPA, mandates a written report to plan sponsors on the Fiduciary Adviser's compliance with the requirements of PPA. The Audit involves:

- ✓ Adherence to the retirement plan document
- ✓ Review of documentation
- ✓ Update background check, client results and knowledge

BUSINESS DEVELOPMENT SUPPORT

FAN support includes extensive business development resources needed to maximize success in the employer market. Support includes:

Sales Tools

- ✓ Sales letters to plan sponsors
- ✓ Plan sponsor presentation deck
- ✓ Disclosures required under PPA
- ✓ Sample engagement letter
- ✓ Employee questionnaire

FAN Promotion

- ✓ FAN Advertising to plan sponsors (see sample ad in Appendix B)
- ✓ E-mail campaigns
- ✓ Webinars
- ✓ Bylined articles

Online Adviser Network

- ✓ Plan sponsor search for Fiduciary Advisers
- ✓ Plan providers make referrals

Advertising

- ✓ Opportunities for online and magazine advertising

Meetings & Conferences

- ✓ Attend local and national plan sponsor conferences and meetings
- ✓ Speak at conferences and meetings



Fiduciary Adviser Network Description

ADVISER NETWORK

Objective

- ✓ Connect plan sponsors with suitable Certified Fiduciary Advisers

Content

- ✓ Current base of Certified Fiduciary Advisers

Network Search Process

- ✓ Plan sponsor is directed to this site through a variety of promotional programs.
- ✓ The site is entered at Registration Page with or without identifying variables (Firm, Name, E-mail, Phone, Password) (ID):
 - Entry with ID is pre-filled and given access to Search Page. Entry with ID originates from links where the user is already registered.
 - Entry without ID requests user to register and an email is sent with password. User must open e-mail and retrieve password and enter it on the Registration Page in order to proceed.
- ✓ Search Page displays criteria that users enter to find Certified Fiduciary Advisers. User then submits request to search the data base and a Results page is then displayed.
- ✓ Results Page is limited to 10 Certified Fiduciary Advisers and includes a 50 word description of each. When there are more than 10 found, the first 10 that were never accessed or were not accessed for the longest time are selected. Results page includes a check box to request additional information on the Fiduciary Adviser. User receives a confirmation page listing the selected advisers and notifying him/her to expect an e-mail with info. The user may repeat the process with different criteria.

Selected advisers on the Results Page receive an e-mail request for information that is to be sent directly to the registered user.

Fiduciary Adviser Network Description

FAENROLL - ADVISER RECORD KEEPING

FAEnroll is the record keeping and billing service of the Fiduciary Adviser Network (FAN). Employer and employee clients are tracked and invoiced to facilitate payments. FAEnroll performs three critical functions on behalf of Fiduciary Advisers:

- Captures and maintains records of advisers eligible investment advice arrangements (EIAA).
- Captures and maintains records of employees enrolled by the fiduciary adviser under each EIAA.
- Creates billing and payment instructions for fiduciary adviser compensation.

FAEnroll is in compliance with record keeping requirements of the Pension Protection Act of 2006.

FAEnroll Service

Only current Certified Fiduciary Advisers may elect to use FAEnroll to maintain records and bill for compensation. FAEnroll assesses a fee based on the number of employees enrolled.

Advisers register for FAEnroll then enter each employer's EIAA. The EIAs describe the terms of the arrangement, including fee structure, estimated number of employees to be served, billing arrangement and billing cycle.

Employees may enroll for the Adviser's services through FAEnroll. This permits the employee to register and request an appointment. Alternatively, the Adviser may register employees that have enrolled outside the system.

Advisers enter compensation received.

Based on the EIAA the following is performed automatically:

- Invoices with required supporting details are created and sent to the appropriate "bill to" party.
- Funds collected are aggregated, remitted to Adviser or firm and open receivables are updated.
- Employer service report is issued



FAEnroll Fee Options

FAEnroll supports a number of adviser fee arrangements.

Fee Structures:

- Flat per-employee fee
- Basis points of total plan assets
- Basis points of participant account

Funding Sources:

- Forfeiture account
- Participant account
- Employer paid
- Provider credits



Fiduciary Adviser Network Description

CASHMAPPER -EMPLOYEE 60 SECOND CHECKUP

CashMapper is a computer-based program that uses non-threatening questions to do a 60 second financial checkup for employees and identify what financial advice each employee needs most.

Employees receive an instant reading of their financial condition and are referred to the most appropriate solution that is available. Potential solutions include default investment, computer model, fiduciary adviser or external services such as debt management.

Fiduciary Advisers receive notice of employees needing their services, preferences and capabilities.



Narrow Casting

Replacing the one-size-fits-all approach, CashMapper uses its electronic platform to focus on one employee at a time. High cost resources are applied only when individual solution is identified.

Find Need, Deliver Solution

CashMapper uncovers the employee’s financial concerns, career stage, cash flow situation and wealth, then prescribes the solution that is pre-approved by fiduciary adviser and plan sponsor.

Provides REAL Leads

Results from CashMapper are leads with pre-established need that are delivered to fiduciary advisers and other areas in the firm as well as non-threatening external services.

Add Value For Plan Sponsor

CashMapper delivers higher productivity of employee base and includes an annual employee engagement survey about the employee base. This adds great value to the plan from the sponsor’s perspective.

60 Second Financial Checkup

Employees spend a minute to find out about their financial health

CashMapper will help employees to find solutions to financial concerns such as:

Managing the 401(k) account

Budgeting and expense management

Managing debt

Financial planning

Wills and estate planning

Determining life insurance needs

Tax planning

Employees receive a private e-mail from CashMapper inviting them to answer a confidential 60 second questionnaire to find out how he/she stand financially and offer solutions or expert help if needed.

Note: CashMapper may recommend services that involve employee paying a fee.



Fiduciary Adviser Network Description

ADVERTISING

In addition to the advertising provided with the turnkey solution, Certified Fiduciary Advisers can purchase advertising to reach prospects and reinforce relationship with existing plan sponsor clients. Advertising options include:

- ✓ Print ads in PLANSPONSOR Magazine
- ✓ Banner ads on Web sites
- ✓ Mailing lists
- ✓ Highlights and expanded display on Adviser Network

CONFERENCES & SEMINARS

PLANSPONSOR conferences and seminars offer Certified Fiduciary Advisers booth space and sponsored events to reach out to prospective clients.



Fiduciary Adviser Network Description

APPENDIX A

AVAILABLE UNDER SEPARATE COVER:

- ✓ Fiduciary Adviser Application
- ✓ Fiduciary Adviser Training Curriculum
- ✓ ERISA Training Curriculum
- ✓ Investment Selection Training Curriculum
- ✓ Steps of Certification Process, Questionnaire & Documentation
- ✓ Steps of Audit Process & Sample Audit Report
- ✓ Sample Fiduciary Adviser Disclosure
- ✓ Sample Practice Diagnostic
- ✓ Sample Sales/Presentation Kit



Fiduciary Adviser Network Description

APPENDIX B

EXAMPLE OF FAN AD

Pension Protection Act delivers...

Face to face financial advice that most employees* want and need

Fiduciary Advisers deliver...

- Face to face advice
- No conflict of interest
- Reduced fiduciary liability
- Deeper employee engagement
- Increased employee productivity
- Improved retirement security
- Lower burden for HR department



Fiduciary Adviser Network is your turnkey solution to find pre-qualified fiduciary advisers and conduct due diligence for existing advisers.

Call, e-mail or visit our Website today

617-723-6400 FANInfo@dalbar.com www.FiduciaryAdviser.com

* EBRI 2006 Survey reports 72% of workers say they would be likely to use employer-provided investment advice delivered through a personal financial adviser.



Fiduciary Adviser Network
Turnkey Solutions for Employers and Advisers

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