



A MATTER OF TRUST:

THE BENEFITS OF CHOOSING AN
Accredited Investment Fiduciary Analyst[®]
DESIGNEE

AIFEA[™] | *Accredited Investment
Fiduciary Analyst*[™]

Who is Looking After Your Best Interests?

EFFECTIVE RELATIONSHIPS BETWEEN INVESTORS AND ADVISORS ARE BUILT ON TRUST

IF YOU ARE LIKE MANY INVESTORS, YOU MAY BE WONDERING WHETHER YOUR CURRENT INVESTMENT STRATEGY WILL ENABLE YOU TO RETIRE ON SCHEDULE AND COMFORTABLY, PAY FOR YOUR CHILDREN'S HIGHER EDUCATION COSTS, OR FUND THE PURCHASE OF A NEW HOME. THAT'S WHY A GROWING NUMBER OF PEOPLE ARE SEEKING THE ASSISTANCE OF AN EXPERIENCED ADVISOR TO HELP GET THEIR INVESTMENT PLAN BACK ON TRACK.

Effective relationships between investors and advisors are built on trust. That trust is grounded in a commitment by the advisor to act solely in your best interests. But how can you be sure that the person you are entrusting not only embraces their commitment but is fully qualified to fulfill it?

Background research and client references will reveal an advisor's experience and reputation. But one way you can quickly find out is to ask if the advisor is an investment fiduciary who has earned the Accredited Investment Fiduciary Analyst® (AIFA®) Designation from the Center for Fiduciary Studies™, the standards-setting body of fi360 (see callout box: *fi360: Empowering Fiduciary Excellence*).

WHO IS A FIDUCIARY?

A fiduciary is any investment professional or financial advisor who is required by law and practice to act solely in the interests of and with undivided loyalty to their clients. A fiduciary's advice and recommendations must align with your specific objectives, timeframe, and risk tolerance. When managing your assets, a fiduciary must strive for an optimal balance of risk and return. That person must exercise care, skill, diligence, and objectivity in evaluating, recommending, and reviewing investment options. Any advisor you hire to manage your investments in a fiduciary capacity is professionally obligated to ensure that:

- Any advice or services he or she provides reflects your specific investment goals or expected returns, timeframe, and risk tolerance
- Assets within your portfolio are appropriately diversified among a range of securities, mutual funds, or asset classes to mitigate risk and volatility
- All investment activities, recommendations, and decisions are conducted in a thorough, objective, and prudent manner
- Your assets are held in a secure account by a qualified custodian.
- You will receive statements listing updated values, transactions, and interest and dividend payments for all positions in your account, typically on a monthly basis

TRUST BEGINS WITH UNDERSTANDING

Perhaps no other concept causes greater confusion among investors than whether an advisor is fulfilling the role and responsibilities of an investment fiduciary. That's why it is important to ask questions that reveal whether an advisor is truly serving your interests exclusively.

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Is Your Advisor Committed to Fiduciary Excellence?

- Performance of your portfolio and its underlying investments will be monitored and reported on an ongoing basis, typically on a quarterly basis

Investment fiduciaries typically receive a fee for their services, paid directly by their clients. That may be a flat fee for services, an hourly fee, or a percentage of the value of your account charged on an annualized basis.

WHAT IS THE CENTER FOR FIDUCIARY STUDIES?

Since 1999, the Center has served as the standards-setting body of fi360, the investment industry's leading source of insights, education, and advocacy on all aspects of fiduciary responsibility. The Center's team of subject matter experts includes experienced investment professionals, attorneys, technologists, and educators, all of whom share a commitment to promoting the widespread adoption of the fiduciary standard and helping investment professionals deliver the highest level of service to their clients.

The Center has leveraged its extensive knowledge of state and federal fiduciary regulations and its research into the processes employed by successful investment professionals to create the *Prudent Practices for Investment Fiduciaries*. Published in separate handbooks for investment advisors, investment managers and investment stewards, the *Practices* provide guidance on all aspects of investment management, including asset allocation, fund evaluation and selection, performance monitoring, reporting, governance and compliance.

Educational programs are available to promote widespread adoption of the *Practices* and instruct advisors in their practical application. In addition, the AIFA® Designation formally distinguishes advisors who understand and follow the *Practices*.

fi360: Empowering Fiduciary Excellence

Fi360 is the leading fiduciary training and resources organization in the U.S. The instructors, writers, technologists, and other professionals who comprise fi360 share a common commitment to spread the knowledge and application of the *Prudent Practices for Investment Fiduciaries* among brokers, investment advisors, financial planners, and other investment professionals in the U.S. and abroad. Fi360's curriculum designers develop the AIFA® and other fiduciary training programs, which are delivered to thousands of investment professionals, advisors and stewards every year. Fi360 also develops sophisticated fiduciary management software tools for investment professionals that make it possible to easily and effectively manage and document a prudent investment process. In addition to fiduciary training and practice management software, fi360 offers a host of fiduciary resources including a blog, webinars, annual conference, and public advocacy for laws that promote greater transparency and accountability in the investment industry.

HOW CAN YOU BE SURE AN ADVISOR IS COMMITTED TO FIDUCIARY EXCELLENCE?

While the tenets of effective fiduciary oversight are well defined, the specific processes advisors must use to achieve them are not. That's why a growing number of advisors are receiving the training they need to employ the "gold standard" of fiduciary excellence in their business practices by earning the AIFA® Designation from the Center for Fiduciary Studies™.

How Do You Know Which Advisor is Right For You?

WHAT MAKES AN AIFA® DESIGNEE DIFFERENT FROM OTHER ADVISORS?

While the *Practices* are available to all advisors, only those who have earned the AIFA® Designation are formally recognized by the Center for demonstrating a full understanding of how to implement those processes to help individuals and families achieve their investment goals in a responsible and accountable manner.

AIFA® Designees are committed to using the knowledge and resources they have gained through their training to:

- Employ uniform, industry-recognized processes for developing a personalized investment strategy based solely on your specific investment needs
- Apply objective, comprehensive standards for evaluating and recommending investment options for your portfolio
- Monitor and report performance of your portfolio and its underlying investments on an ongoing basis and recommending changes when necessary
- Conduct ongoing reviews of his or her business practices to ensure fiduciary principles are being properly applied

FIDUCIARY ASSESSMENTS

With training in both fiduciary standards of care and assessment procedures, AIFA® Designees also are able to employ either informal or comprehensive ISO-like analytical processes to analyze retirement plans, benefits administrators, endowments and foundations, and investment advisors and managers to evaluate the fiduciary strengths and deficiencies of their:

- Investment policy statements
- Investment committee roles and responsibilities
- Governance processes
- Investment evaluation and selection processes
- Investment fees and service costs
- Service provider selection processes
- Performance review protocols
- Documentation of investment processes and decisions
- Risk management processes
- Compliance with state and federal fiduciary regulations
- Conflict of interest policies

Using that analysis, the Designee recommends actions for redressing risk areas. In addition, an AIFA® Designee can use the formal assessment process to prepare an organization for CEFEX Certification. (See *CEFEX Certification: The Fiduciary “Seal of Approval.”*)

CEFEX CERTIFICATION: THE FIDUCIARY ‘SEAL OF APPROVAL’

CEFEX is an independent global assessment and certification organization that is dedicated to helping investment stewards and investment companies apply the highest standards of fiduciary excellence in their investment management, governance, and operational processes. Many retirement plans, endowments, foundations, benefit plan administrators, trust companies, and investment advisors and managers engage AIFA® Designees to help them earn CEFEX Certification, a formal, independent recognition demonstrating trustworthiness to plan participants, donors, and the general public.

To learn more about CEFEX, visit www.cefex.org.

Is Your Advisor Governed by a Professional Code of Ethics?

To maintain the Designation, AIFA® Designees must complete continuing education training to keep up to date with changes in the industry and the ongoing evolution of legal requirements under the fiduciary standard. They also must recognize and formally affirm the principles and obligations stated in the Designee Code of Ethics, which governs their professional and ethical conduct.

WHAT RESOURCES ARE AVAILABLE TO DESIGNEES?

To help AIFA® Designees serve their clients in conformance with the *Practices*, fi360 places a variety of educational and practice management tools at their fingertips:

- **Self-Assessment of Fiduciary Excellence (SAFE):** A questionnaire for Designees and their fiduciary clients to analyze and improve their fiduciary processes. Many Designees also use the SAFE evaluate the fiduciary practices of investment stewards such as 401(k) plans and endowments.
- **Consultant's Review of Fiduciary Practices (CRFP):** A working document that allows Designees to review the fiduciary processes of investment companies, retirement plan providers, banks and trust companies and assist with correcting any deficiencies.
- **CEFEX Assessment of Fiduciary Excellence (CAFE):** A working document for AIFA Designees to conduct formal assessments of the fiduciary strengths and weaknesses of investment companies, retirement plan providers, and banks and trust companies to prepare them for CEFEX certification.
- **fi360 Toolkit for Advisors:** A sophisticated suite of online portfolio management tools that help advisors develop and optimize asset allocation and portfolio construction strategies and conduct extensive research on thousands of mutual and exchange-traded funds and separate account strategies.
- **Standardized documents:** Templates for creating personalized investment policy statements, client reports, and contracts, and other essential documents.
- **Continuing education:** Industry updates using analysis delivered by fi360's team of fiduciary experts, as well as other industry thought leaders.

KNOW YOUR ADVISOR

Advisors who have earned the AIFA® Designation have a thorough understanding of the fiduciary standard of care and its application and agree to conduct themselves as professionals. However, not all AIFA® Designees offer the same services and different service models provide different protections. You have a responsibility to understand the nature of your advisory relationships before you enter into them. (See callout box: *Five questions you should ask any investment professional.*)

Will Your Advisor Disclose All Important Facts?

HOW CAN I CONDUCT MY OWN DUE DILIGENCE ON AN ADVISOR I'M CONSIDERING?

You can conduct a background check on any advisor using the resources on the Securities and Exchange Commission website at <http://www.sec.gov/investor/brokers.htm>. You also can search for AIFA® Designees at www.fi360.com.

Regardless of the credentials on paper, when evaluating an advisor, it's important to apply the same level of thoroughness and care you'd use in evaluating a physician, attorney, or building contractor. It's up to you to examine their qualifications and credentials, identify any past or pending legal violations, solicit feedback from other clients, and fully understand the advisor's service model and fee structure. While an advisor may be committed to acting in your best interests, making sure that person is fully qualified to do so is your own fiduciary responsibility.

Five Questions You Should Ask Any Advisor

Some advisors always operate in a fiduciary capacity, others only act as a fiduciary for certain specified services, and yet others are not permitted by their company to take on the obligations of a fiduciary at any time. In order to better understand the standard of care your advisor is providing you, ask the following questions:

- ① Will you put my best interests above all others?
- ② Will you act with prudence; that is, with the skill, care, diligence and good judgment of a professional?
- ③ Will you provide conspicuous, full and fair disclosure of all important facts?
- ④ Will you avoid conflicts of interest whenever possible?
- ⑤ Will you fully disclose and fairly manage, in my favor, unavoidable conflicts?

An advisor should be able to provide clear and concise answers to all of those questions and be willing to disclose that information in writing. In addition, any AIFA® Designee should be able to describe how their relationship with you will operate and list the resources and tools that are incorporated into their business practices.

For more information on the Center for Fiduciary Studies, fi360, and the AIFA® Designation, visit www.fi360.com

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