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Subject: **HIGHER MARGIN GROWTH**

OPPORTUNITIES AT THE PARTICIPANT LEVEL

The economy, the financial services industry and the retirement plans market have matured. The complex geopolitical environment has also matured, i.e., there may not be viable solutions to our most serious challenges.

Advisors may continue to earn a lawyer's wage, but the days of earning plaintiff wages are long gone. While specialists always fare better financially than generalists, it is important to note that even mature markets offer opportunities for the savvy. Unknown to most observers, **today's retirement plan opportunities for less than fully established advisors are at the participant level, not the plan level.**

Specialists will continue to consolidate retirement plans advisory business above the small plan market, but, **industry margins will remain under pressure.** The ability to differentiate from other specialists and generalists - particularly those armed with value added tools - will also continue.

Vendors, distributor organizations and the trade as a whole continue to hawk the bull market retirement plans scenario, particularly for RIAs, but nothing could be further from the truth. Business is all takeaway, margins will remain under pressure and the evolving regulatory environment is becoming more challenging.

Looming participant fee disclosure, a new fiduciary definition, major tax code changes, a public option and health care reform could also have a significant impact on the industry. As a result, **business plans should be realistic and very detailed before investing in the retirement plans business.**

These conditions are the exact reason why the CFDD's 2012 Advisor Conference will focus on participating in consolidation through outcomes based consulting, developing new higher margin business and increasing efficiency.

NEW BULL MARKET

The industry doesn't recognize it yet, but there is a bull market developing in centralized and decentralized participant elected managed account services provided by RIAs and IARs that is just starting.

The embryonic market for *advisor* delivered participant level advice - particularly in the nonprofit market - is the path to growth, higher margins and differentiation. Scalability, distribution, client access and advisor friendly recordkeeping platforms will, however, remain central to success. Indeed, success in a labor intensive industry is not possible without scalability.

They aren't used to it, but **advisors should be looking at recordkeeping platforms as a way to distribute their products and services.** That is exactly why the recordkeepers receptive to advisor delivered advice are so important. Those that offer client access, scalable applications - including fee deductibility - and co-bidding flexibility are even more important.

IARs are starting to distribute the participant elected managed account services, including model portfolios, offered by other RIAs and this will become another major trend. This is a unique opportunity because this centralized service allows decentralized advisors to keep the majority of the associated fees, leverage the RIAs scalability, avoid fiduciary status and grow their business.

Most plans will offer multiple advisory solutions, but retirement plan **participants want advisor delivered advice, a non-commoditized approach and they are willing to pay for discretionary services within a fully disclosed institutional environment.**

Because it is illegal to provide investment advice for a fee without SEC and/or state licensing, the number of advisors offering these services is limited. Given that the fees are much higher than plan level services, it is surprising to note that the pool of advisors offering discretionary participant level advisory service has not developed with the demand. Additionally, advisors are retiring in larger numbers and/or leaving the business.

FACELESS APPROACH OR THE ADVISOR MODEL

When discussing participant elected managed accounts by advisors, it is important note that they are quite different from the no cost Schwab type Guided Choice program, the Merrill Lynch Goal Manager and other low cost participant advisory services.

The large plan market prefers the faceless vending machine approach rather than the personalized advisor model. The large plan market also lacks the personalized participant education associated with the advisor model. As a result, the utilization rate for participant elected discretionary investment management services is lower in the large plan market.

The large plan approach certainly adds value, but it is very different from an account connected directly to an advisor who does more than make trades. The advisor delivered discretionary advice model is just being introduced and it is distinguished by a higher level of service, personalization and customization.

SUPER BOWL OF PARTICIPANT ELECTED MANAGED ACCOUNTS

The CFDD will always remain committed to our core market, the skilled plan level advisors focused on the retirement plans market. We also remain committed to replacing the toxic products still prevalent in the immature nonprofit market, higher margin NQDC opportunities and a holistic approach to plan level consulting.

In addition to identifying inappropriate practices, growth opportunities have always been part of our mission. As a result, **a component of the CFDD's Advisor Conference will become the Super Bowl of content for scalable participant elected managed account services offered by RIAs and IARs.**

Given the opportunity, CFDD '12 will offer the sub-agenda below to help advisors develop participant elected managed account business, particularly in the nonprofit market.

- *Scalable Solutions For 3(38) Plan Level Investment Management Services*
 - *Model Portfolios: Game Changer Or Tsunami*
 - *Scalable Investment Management Solutions For Centralized Participant Elected Managed Account Services*
 - *Scalable Provider Platform Solutions For Participant Elected Managed Account Services*
 - *Advisor Distribution Of Centralized Participant Elected Managed Accounts: Why, How & Where*
 - *Qualifying RIAs & IARs Providing Participant Level Advice & Managed Account Services*
 - *Nonprofit Retirement Plans Update: Who's Winning, Who's Losing & Why*
 - *How Government Sponsored 457 DC Plans Can Increase Participant Benefits While Reducing Their DB Plan Contributions*
 - *ERISA vs. Non-ERISA Fiduciary Standards*
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MODEL PORTFOLIO CHALLENGES

Deyan Stojanovich (President, Benefit Solutions Corp) and John D. Blossom Jr., (President & CEO, Alliance Benefit Group of Illinois) will conduct the aforementioned CFDD '12 presentations on: *Scalable Solutions For 3(38) Plan Level Investment Management Services* and *Model Portfolios: Game Changer Or Tsunami*. These very qualified organizations are competitors and their presentations are expected to go in different directions.

Many successful plan level advisors believe their value proposition is embedded in providing model portfolios. Model portfolios are also essential to the scalable delivery of participant elected managed account services. Ironically, **very few advisors providing managed portfolios are aware of the menacing 408(b)(2) and 404(a)(5) issues that are right around the corner.**

We don't know anyone who has invested more time in these issues than John Blossom and based on his input, one has to wonder if model portfolio fees will become a prohibited transaction on April 1st, if clients will replace incumbent advisors to meet the new 404(a)(5) requirements and whether model portfolios will qualify as a designated investment alternative.

The answers to these questions are pertinent because they will determine the viability of basing one's value proposition on model portfolios. The answers are also important to participants because as noted by Deyan Stojanovich, mutual funds provide a tool, but advisors provide the solution.

To shed some light on the 404(a)(5) challenges and set the stage for the CFDD '12 sub-agenda, an email invitation to a CFDD and ABG webcast devoted to this topic will follow before year end.

While not specifically related to model portfolios, Henry Yoshida (Partner, The Maresh Yoshida 401k Group) will conduct the CFDD '12 session on: *Developing Consultant Relations At Direct-Sold Recordkeepers: A Dynamic Resource, A Referral Source Or An Ineffective Use Of Time*.

This session has not been done before and it is very important for the CFDD's core advisor audience. Consultant relations is a major asset for the providers that offer such a team and while most advisors are not aware of it, **direct sold recordkeepers have become a major source of reciprocal referrals.** Generalists will not, however, benefit from these referrals.

AUDIO FILES & PRESENTATIONS FROM ALL PRIOR CFDD CONFERENCES

As an independent, unbiased and bottom-up organization, the CFDD's Advisor Conference content has consistently remained at the top of the food chain. To add value, we have always uploaded and archived the presentation materials from each conference to a secure area of the CFDD's website. We also supply registered attendees with a CD-ROM of each conference that includes both the presentation materials and the Mp3 audio files.

To enhance our already unmatched value proposition, CFDD '11 attendees may now listen to the conference audio files on our website. The files have been uploaded to the same secure page the presentation materials are archived on. To access the presentation materials and the audio files, go directly to: <http://www.thecfdd.com/CFDDconf2011presentations>.

CFDD '11 attendees may create their own password by clicking on "Request New Password," entering their email address and following the simple instructions. You may change your password at any time, but note that the system will only recognize the email address to which this notice was delivered. To change your email address, contact CFDD@TheCFDD.com.

Password access to secure areas of the CFDD's website expires at the end of each year, i.e., 12/31. In other words, exhibitors, advisors and others attendees must register and/or participate in the following year's conference to maintain access to the conference library.

The CFDD's library of resources from all past conferences is also available to attendees. To access the presentation materials and the audio files from ALL prior year conferences, go to the conference homepage at <http://www.thecfdd.com/CFDDconference2012>, scroll down to the dialogue box at the bottom of the page and click on the appropriate conference link.

CFDD 2012 ADVISOR CONFERNECE

The CFDD's October 22-24, 2012 Advisor Conference, *Outcomes Based Consulting, Higher Margin Business & Increased Efficiency*, is the premier education and networking event for the retirement plans advisory industry. The two and one-half day must attend conference offers more VALUE, CONTENT, CONVENIENCE and specialized advisor ATTENDANCE than any other event.

Known as the *King of Content*, the CFDD's broad and diverse agenda remains at the top of the food chain. The *sixty* different breakout sessions are populated by the most sought after speakers as well as the industry's most accomplished advisors. **The industry's most prestigious research organizations, including Spectrem, Chatham Partners, LIMRA and Brightwork Partners will also participate in the agenda.**

The economic recovery and the investment markets remain challenging. With the retirement plans market and the financial services industry maturing, full compliance has become almost impossible. Competition has intensified, differentiation is increasingly difficult and margins are compressing. At the same time, clients are demanding more and tax code changes could have a major impact on the industry.

Given the changing dynamics, **advisors must increase their volume, improve efficiency through scalable solutions, diversify and develop higher margin business.** Because advisors cannot participate in consolidation without influencing positive outcomes, **differentiating with a more holistic approach and reducing risk through good governance,** CFDD '12 will provide the applicable deliverables.

In addition to the aforementioned, CFDD '12 will *Emphasize Investment Approaches With Pricing Power, Returns Beyond Performance, Model Portfolios, IAR Distribution Of Participant Elected Managed Accounts, ERISA Vs. Non-ERISA Fiduciary Standards, Who's Winning & Losing In The Nonprofit Markets, The Impact Of Tax Code Changes, Qualifying RIA/IARs Providing Participant Level Advice, Success Metrics and Behavioral Finance.*

Hiring, training, succession planning and scalability remain the biggest business challenges facing advisors. Practices can't grow without staffing and they can't be monetized without succession planning. To enrich their practice, **advisors may bring one immediate team member at a 50% discount.**

To add value and increase efficiency, the CFDD's Advisor Conference provides **a single source solution for unmatched core CE credits**, including IMCA, CFP, fi360, ASPPA, NIPA, IBF, CFA, SPARK, The American College, the College for Financial Planning and more. As an added bonus, **conference attendees can earn the Accredited Investment Fiduciary (AIF®) designation by attending fi360's discounted pre-conference training.**

Attendees further benefit from early registration discounts, a fiduciary insurance discount program, **a conference CD-ROM** and online **access to ALL prior year conference presentations, including the audio files of each presentation.** To access the 2011 conference presentations and Mp3 audio files, go directly to: <http://www.thecfdd.com/CFDDconf2011presentations>.

In addition to FREE wireless, the hotel's cell phone reception is excellent and spouses may attend the conference at NO additional cost.

Complimentary food, beverages, snacks, cocktails and a **NASCAR themed Kick-Off Party are all included in the registration fee.** Sponsored by Allianz Global Investors, Simulated **Racecar Gameplay Competition** with meaningful **cash prizes** is also included.

NASCAR will be the marketing theme and feature a TIAA-CREF sponsored **Primary Grand Prize Box Seat Package To The Daytona 500**, including beachfront accommodations. A **Secondary Grand Prize Package To The Charlotte ALL-Star May Race** will also be offered, including a hot pit pass (access to everything except the race car) and **Buck Baker Racing School Classes** on the Charlotte Motor Speedway. To qualify for the grand prizes, registrants must stay at the conference venue, the convenient downtown Chicago Swissotel.

Recognizing the urgency to act now, CFDD '12 will provide **UNBIASED guidance and exclusive GROWTH SOLUTIONS** to elevate your practice. For more information on the CFDD's 2012 Advisor Conference, go to the conference homepage at: <http://www.thecfdd.com/CFDDconference2012>. To register early, **SAVE MONEY**, find out what is working from your peers and benefit from business building takeaways, register online by going directly to: <http://www.regonline.com/Register/Checkin.aspx?EventID=1026462>.

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