



A Guide to Advisor Fees & the Your Retirement Advisor Fee Structure

We understand that keeping overall fees as low as possible can have a dramatic impact on the potential success or failure of a retiree's financial future.

Many financial advisors charge an asset management fee to manage a retiree's portfolio with little or no retirement planning services. By and large, these advisors are pretty investment-centric, which makes sense because the industry evolved from "old school" stock brokers. Portfolio management is important, but it is only ONE facet to a well orchestrated retirement plan.

How do fees get paid for managing your portfolio?

Several fees are assessed against the value of your portfolio and paid on a quarterly basis. It is imperative that investors understand the typical fees assessed how much they are paying for the services being offered.

Typical portfolio management fees include:

- ✓ **Custodial Fees** – The custodian is the company that holds the investment assets and provides account statements and all administrative functions.
- ✓ **Trading Costs** – Internal costs to place investment trades when making adjustments to the portfolio
- ✓ **Investment Management Fee** – The fee paid to the Mutual Fund, Exchange Traded Fund, Separate Account Manager or other investment vehicles utilized.
- ✓ **Advisor Fee** – The fee paid to the investment advisor to develop the individual portfolio, monitor the investment managers and make necessary adjustments to the overall portfolio.

It's important to make sure you or your advisor uncovers the total fees to determine your "TOTAL" cost. These costs can significantly affect the portfolio value over time if not taken into consideration when selecting individual investments for inclusion in the investment portfolio.

If the funds are otherwise the same, a fund with lower fees should outperform a fund with higher fees. Remember, the more investors pay in fees and expenses, the less money they will have in their investment portfolio.

Other Expenses

The fees listed above are required to be disclosed in a prospectus or fee disclosure statement which must be given to all investors. There are additional expenses that may not be required to be disclosed to investors and can have a significant effect on the long-term returns of a retirement portfolio. These additional fees are contained in the Statement of Additional Information (SAI) and are known as a fund's "other variable expenses". Unlike prospectuses, advisors aren't required to give you a fund's SAI. As a result, many investors have no idea what an SAI is, let alone read one. You will be able to find a fund's SAI on the fund's website. Finding all the fees can feel like looking for the proverbial needle in a haystack, but it's important because missing them and you could end up paying an additional .50% to 1% or more than you thought you were paying.

We find that most retirees don't fully understand the TOTAL FEES they are being charged and/or what level of services they are receiving for the money they are paying. The informed investor is the best investor. As we like to say at Your Retirement Advisor, when you know more, you have more. When you reduce the fees for your investments and the advice of an advisor, you'll have even more. We believe that in order to reduce costs, one must be committed to getting educated: doing research and questioning your advisors on their strategy and fees.

An Investment Strategy to Reduce Fees

Whether you're doing your own investing or working with an advisor, you can fight back fees and potentially receive higher returns by utilizing a combination of low cost passive index funds and ETFs, and actively managed funds, summarized below.

- **Index funds and exchanged traded funds** typically use passive indexes and charge a fraction of the fees that most active money managers charge. They also have low turnover in their portfolios keeping costs low. However, while less expensive, these funds won't outperform the index since they basically invest in the index.
- **Actively managed funds** are managed to outperform the indexes. It is critical to pick active managers with care, choosing those with low fees and positive results in both negative and positive markets, as well as those with low turnover (which is the percent of holdings that are bought and sold each year).

Recent research indicates that active managers outperform passive strategies in some asset classes while passive strategies out perform in others. Utilizing both low-cost passive index funds in combination with active managers can offer a lower cost and potentially a higher performing portfolio.

Because there's thousands and thousands of funds, Exchange Traded Funds (ETFs) and individual portfolio managers for an investor to choose from it is advisable that adequate research be utilized when selecting the proper asset allocation and investments for inclusion in the portfolio. As a result of these complexities many people opt to work with an investment advisor. Here again, the informed investor will pay less in investment and advice fees.

You'll be best served by working with the lowest cost, highest quality advisor you can find. But beware the industry is plagued with high fee advisors. According to Michael Kitces, advisor fees average 1.65% and can go as high as 2% to manage a \$500,000 portfolio. This can be an expensive proposition if the portfolio returns are underperforming the indexes or appropriate benchmark net of the total fee.

There are more "client friendly" advisors and fee structures available ...you just need to do a little more research to find them. Look for an advisor who offers either a flat rate fee or a deeply discounted annual percentage fee based upon assets under management.

To understand the impact fees can have on a portfolios growth and the effect a "low-cost" fee advisor can have on a portfolio, we have created the Case Study below for your review.

Exchange-traded funds are sold only by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. Exchange-traded funds incur trading and commission costs similar to stocks and frequent trading can negate the lower cost structure of an ETF. The prospectus contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

Case Study: The Impact of Fees

IRA Retirement Assets: \$1,000,000

Annual Income Generated (Age 65-95): \$30,000 (Inflated at 3% per yr.)

Annual Assumed Rate of Return: 6%

<u>Annual Fee</u>	<u>Total Retirement Income Generated (from age 65-95)</u>	<u>Total Portfolio Balance @ age 95</u>
1.00%	\$ 1,691,948.	\$ 1,056,226.
1.50%	\$ 1,559,535	\$ 705,813.
2.00%	\$ 1,442,797.	\$ 0

Which fee would you rather pay?

It's important to understand how the investment industry works and how fees are assessed and paid. Depending on the type of financial product being utilized within your portfolio will determine the TOTAL fees (both disclosed and hidden) that an investor will be paying to manage the account. A high quality portfolio with low TOTAL fees gives you a better return potential.

"Price is what you pay. Value is what you get."

Warren Buffet, Berkshire Hathaway

Your Retirement Advisor Fee Structure

Your Retirement Advisor's number one goal is to offer high value professional retirement resources, planning and advice.

As part of our services, we offer an initial complimentary consultation (a series of 1-on-1 workshops), including a Retirement Income Projection Analysis (RIPA) to determine your retirement planning needs and objectives. In addition to getting to know one another during this consultation, we review all of our services and our process, as well as the various fee structures in which we can be compensated. Based on each client's needs, amount of assets and services required, we'll agree on the most cost effective fee method or combination of fee methods to complete your retirement plan. As a fiduciary, we always put your best interests first and this includes having a flexible fee schedule that's customized to you.

New Improved Approach to Fees

Your Retirement Advisor (YRA) offers a new improved approach to Retirement Planning and Portfolio Management fees. We offer what we believe to be the first of its kind, highest value, "turnkey" retirement planning service in the industry today. We understand that keeping overall fees as low as possible can have a dramatic impact on the potential success or failure of a retiree's financial future.

Many financial advisors charge an asset management fee to manage a retiree's portfolio with little or no retirement planning services. By and large, these advisors are pretty investment-centric, which makes sense because the industry evolved from "old school" stock brokers. Portfolio management is important, but it is only ONE facet to a well orchestrated retirement plan.

Preparing for retirement is a multi-faceted undertaking which requires more than just managing your investments. It incorporates income distribution, risk management, tax efficiency, Social Security planning, safe money strategies with annuities, life insurance, and using the equity in your home effectively. Retiring right requires detailed, organized and thoughtful planning.

According to the Moss Adams research, 81% of investors surveyed said they wanted financial advice on more than just investments, and 65% of investors said they are okay with advisors using outside money management. In fact, just 19% of investors said they wanted only investment management help from those advisors.¹

We find that most retirees don't fully understand the TOTAL FEES they are being charged and/or what level of services they are receiving for the money they are paying. This is the reason Your Retirement Advisor has taken a revolutionary approach to our fee structure; offering retirement planning AND portfolio management services together in one low annual flat retainer fee structure or a traditional fee based asset management structure.

Source:

1. <http://www.investmentnews.com/article/20070904/FREE/70831060/-client-centric-planning-pays-off>

Four YRA Compensation Methods



1. RETIREMENT PLANNING & ASSET MANAGEMENT

Our belief is that comprehensive retirement planning, coupled with prudent asset or portfolio management, offers the highest probability of enjoying a successful retirement. We offer various fee methods to choose from for your ultimate flexibility.

Comprehensive Services Provided:

- **Market Volatility Stress Test (MVST)** - We stress test your current retirement against many different market environments utilizing sophisticated technology. If necessary, proper adjustments will be discussed to increase the probability of a better retirement outcome.
- **Tax Efficiency Assessment** - We create a tax efficient income distribution strategy to reduce taxes and ultimately increase the probability of portfolio survival.
- **Social Security Timing Strategy** – We assess multiple Social Security filing strategies to determine the most efficient strategy to maximize this benefit.
- **Portfolio Analysis and Management** - We create a high quality, low-cost, optimized portfolio by combining the growth potential of stocks with guarantees provided by Fixed Index Annuities.
- **Risk Management** – We develop a life insurance and Long-Term Care needs analysis to assess and then minimize potential risks.
- **Ask the Advisor Service** - We offer unlimited access to your retirement advisor via email or personal meetings anytime to address questions or concerns.

Three Payment Methods to Choose From:

Three payment methods are offered to provide a low cost structure that suits your individual needs. Any of the three methods below includes the comprehensive suite of retirement planning and asset management services outlined above.

Payment Method #1 - Hourly Fee

An hourly fee can be utilized to provide Retirement Planning, Financial Planning or Portfolio Management services. Hourly fee for services: \$200

Payment Method #2 - Flat Fee Structure

This structure offers the ultimate in flexibility. It allows the advisor to offer advice regardless of where the investment assets are positioned. A flat annual fee will be paid to the advisor to offer the full complement of retirement planning services; Tax Analysis, Investment Management, Risk Management, as well as any other planning needs. Utilizing this structure offers ultimate flexibility since assets can be positioned in the current 401(k) or with any investment management company. Our only goal is to offer the best unbiased planning possible as your retirement advisor.

Total Net Worth	Under \$249k	\$250K - \$499k	\$500K - \$999k	\$1mil & above
Annual Flat Fee	\$ 2500	\$ 3500	\$ 4500	\$ 5500

The annual flat fee provides all portfolio management and comprehensive retirement planning services but does not include any asset management related fees which will be determined based upon the asset management and custodial company utilized.

Payment Method #3 – Asset Based Management Fee

This fee is assessed as a percentage of the investment assets under management and is automatically debited either quarterly, semi-annually or annually based upon the investment assets under management (AUM).

FEE SCHEDULE AS FOLLOWS:

- ❖ **\$100,000–\$249,999:** 1.00% advisor fee + .40% Unified Program fee + .2687% SAM/ETF fee = **1.69%**
- ❖ **\$250,000–\$499,999:** .75% advisor fee + .40% Unified Program fee + .2687 SAM/ETF fee = **1.42%**
- ❖ **\$500,000-\$999,000:** = .60% advisor fee + .35% Unified Program fee + .2687% SAM/ETF fee = **1.22%**
- ❖ **\$1mil – \$2mil:** .45% advisor fee + .25% Unified Program fee + .2687 SAM/ETF fee = **.969%**
- ❖ **\$2,000,000 & above:** **Negotiable**

2. RETIREMENT PLANNING ONLY

A Flat Planning Fee can be utilized to provide Retirement Planning or Financial Planning services as follows:

- Retirement Income Projection Analysis (RIPA) - \$750.
- Retirement Tax Analysis - \$500
- Portfolio Management Strategy - \$400
- Social Security Timing Report - \$400.
- Risk Management: Life Insurance/Long-Term Care Needs Assessment - \$400
- Comprehensive Retirement Planning Needs Assessment (Includes all above) - \$1500

3. ASSET MANAGEMENT ONLY

We offer “stand-alone” asset management services without additional planning services as follows:

Assets Under Management (AUM)

- ❖ **\$100,000–\$249,999:** .75% advisor fee + .40% Unified Program fee + .2687% SAM/ETF fee = **1.42%**
Industry Ave = 1.85%*
- ❖ **\$250,000–\$499,999:** .50% advisor fee + .40% Unified Program fee + .2687 SAM/ETF fee = **1.17%**
Industry Ave = 1.75%*
- ❖ **\$500,000–\$999,000:** = .40% advisor fee + .35% Unified Program fee + .2687% SAM/ETF fee = **1.02%**
Industry Ave = 1.65%*
- ❖ **\$1mil – \$2mil:** .30% advisor fee + .25% Unified Program fee + .2687 SAM/ETF fee = **.819%**
Industry Ave = 1.50%*
- ❖ **\$2,000,000 & above: Negotiable**

*Source: Kitces, Inside Information, 2017 Planning Profession Fee Survey

4. BROKER BASED PRODUCTS (COMMISSIONS)

There are instances where product availability under the Registered Advisor Platform is limited or non-existent. In this instance, a high quality, low-cost commission based product will be the best solution utilized. As a Series 7 registered securities representative and Life, Accident and Health insurance broker, a commission will be paid from each investment or insurance vendor based upon the product selected for the client. In this arrangement there can be front end fees, rear end or contingent deferred charges assessed based upon the product selection and company utilized to implement the plan. In all instances, any charges whether front, rear or combination will be discussed and agreed upon in advance of any product selection and transaction initiated.



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Helpful Questions to Ask an Advisor About Their Fees

Fee Disclosure Worksheet

The number one question to ask an advisor: What are the "total" fees to work with you? (it's critical to receive full disclosure from anyone that is going to provide you financial advice and products). Use this form to uncover your TOTAL fees, and have your advisor sign it.

- What is your custodial fee? \$ _____ OR _____%
- What are your trading costs? \$ _____ OR _____%
- What is the advisory fee? (this is the fee that does to the registered investment advisor to manage your portfolio) \$ _____ OR _____%
- What are the internal mutual fund, ETF, money manager fees? \$ _____ OR _____%
- Are there any other fees such as statement fees, technology fees, etc? \$ _____ OR _____%
- What do your fees include for additional services; i.e. Retirement Planning (make sure you get specifics)? _____

Advisor Signature X _____