Assessing the Cost and Value of an Advisor

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 does an Advisor get paid?

Depending upon the financial product or Investment Advisory program utilized, an advisor will receive a portion of the portfolio management fees charged based upon the portfolio value. This advisor fee is paid directly to the advisor by the product company.

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.

All fees above must be legally disclosed, but the problem is that most individual investors do not understand these fees and how they can impact the portfolio value long-term.

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.

Investment Fees

If you're a DIY investor, you'll need to do much more research to understand the particular investment options, their performance, and their fee structure, typically found on a Prospectus. However, you'll need to be aware of hidden fees, also 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 1% more than you thought you were paying.

Shareholder fees are fees charged directly to mutual fund investors in connection with transactions such as buying, selling, or exchanging shares, or on a periodic basis with respect to account fees. An investor can find these fees and charges listed in the "Fee Table" section of a mutual fund's prospectus or summary prospectus under the heading, "Shareholder Fees." ETFs don't charge these fees directly to investors, but they may have several types of transaction fees and costs, which are described below.

Operating expenses are ongoing mutual fund and ETF costs such as investment advisory fees for managing the fund's holdings, marketing and distribution expenses, as well as custodial, transfer agency, legal, and accountant's fees. Operating expenses are regular and recurring fund-wide expenses that are typically paid out of fund assets, which means that investors indirectly pay these costs. These expenses are identified in the "Fee Table" section of a mutual fund's or ETF's prospectus or summary prospectus under the heading, "Annual Fund Operating Expenses." **Although these fees and expenses may not be listed individually as specific line items on an account statement, they can have a substantial impact on an investment over time.**

Fees and expenses vary from fund to fund. If the funds are otherwise the same, a fund with lower fees will 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.

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

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.

- Actively managed funds are managed to outpace the indexes and are appropriate for investors who are concerned about losses in a down market since these managers can use strategies to guard against this risk. It's 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).

Because there's thousands and thousands of funds for an investor to choose from, the DIY route is pretty complex for most people. As a result, 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 at 2% for a $500,000 portfolio. This is an expensive proposition. There are more "client friendly" advisors and fee structures...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.

Case Study: The Impact of Fees

Husband and Wife - Both Age 65 & Retire at age 65
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%

Fee Comparison:

Age 95 Values:	Total Retirement Income Generated	Total Portfolio Balance
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 the highest potential for retirement success.

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

Warren Buffet, Berkshire Hathaway

Retirement Planning vs. Investment Management

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]

Retirement Alpha Effect

Recently, a number of companies have conducted research that assesses the impact of implementing proper retirement planning strategies on a retiree's financial future. This impact is measured in terms of Alpha. Adding Alpha to retiree's plan adds significant value. In theory, fees are an issue in the absence of value. If your advisor is providing not only great investment management services, along with comprehensive retirement planning, then you may be satisfied with the value you are receiving.

Figure 1. Popular Studies Estimating The Economic Benefits Of (Portfolio-Related) Financial Advice

	MORNINGSTAR GAMMA	VANGUARD ADVISOR ALPHA	ENVESTNET CAPITAL SIGMA
Financial Planning Advice/ Dynamic Withdrawal Strategies	70bps		50bps
Asset Class Selection/ Allocation & Product Selection	67bps		28bps
(Lower Cost) Investment Selection		45bps	82bps
Systematic Rebalancing		35bps	44bps
Tax-Efficient Withdrawal Ordering	23bps	Up to 70bps	
Asset Location	23bps	Up to 75 bps	
Behavioral Coaching		150bps	
Tax Loss Harvesting			100bps
Total Advisor Value	1.59%/year	>3%/year	>3%/year

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Vanguard Funds performed a study that concluded that proper retirement planning strategies can add as much as a 3% equivalent yield or Alpha to a retirement portfolio. David Blanchett, head of retirement research at Morningstar conducted a similar study and identified that a retiree can add as much as 1.59% additional equivalent yield or Alpha on his/her retirement portfolio by employing proper retirement planning strategies**.

More recently, Envestnet Quantitative Research Group also did study summarized in their white paper,"*Capital Sigma: The Advisor Advantage*". Like Vanguard, they suggest that advisors can potentially add value in many areas including: general financial planning, portfolio management, asset allocation and selecting lower cost investments. Envestnet estimates that the benefits can add up to as much as 3%/year, which they refer to as "Capital Sigma".

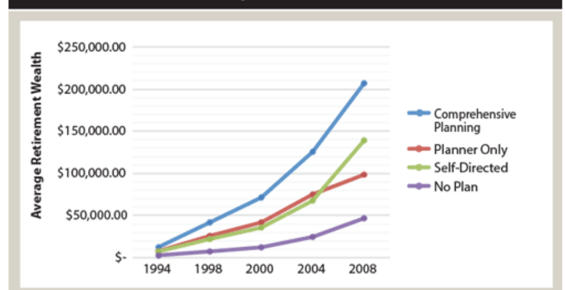


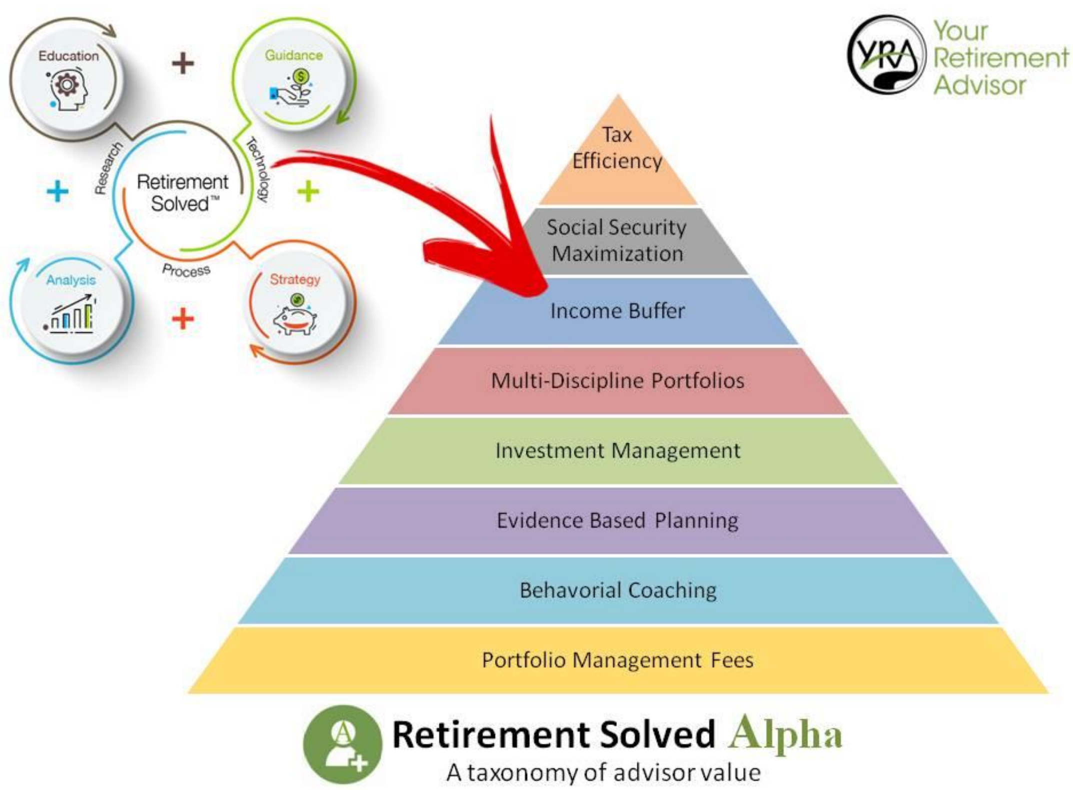
Figure 2: Average Retirement Wealth by Survey Year and by Household Groups

While all three of these studies gives new and existing clients a data-driven view on the intrinsic value of advisor alpha, another study by Terrance K. Martin Jr., Ph.D. and Michael Finke, Ph.D., CFP® compared profiles of planning and advice over the span of 14 years. As they wrote in the Journal of Financial Planning: “Those who had calculated retirement needs and used a financial planner (which likely captures those who used a comprehensive planner who follows a more thorough planning process that includes retirement needs assessment) generated more than 50 percent greater savings than those who estimated retirement needs on their own without the help of a planner.”

Their report continues: “When average retirement wealth was examined by survey year (1994–2008), households with a comprehensive strategy to retirement planning consistently recorded higher mean values of accumulated retirement wealth.

"The research is unequivocal that a competent financial guide can both help you achieve the returns necessary to arrive at your financial destination while simultaneously improving the quality of your journey." -Behavioral Alpha: The True Power of Financial Advice, Daniel Crosby, Ph.D., Nocturne Capital, October 17, 2016

With our Retirement Solved planning approach we increase the probability of better retirement outcomes by implementing eight Alpha Efficient Strategies. Our powerful retirement planning software provides further proof and tracking of our alpha value.



- **Alpha Strategy #1: Reduced Portfolio Management Fees**
  We start with fees because it's one of our major differentiators. While other advisors in the industry charge up to 2% to manage your portfolio, we're able to charge 50%-75% less than that! Because we are more efficient on many levels and because we leverage technology and have access to the best products in the industry, we're actually able to offer more for less.

- **Alpha Strategy #2: Behavioral Coaching**
  People sometimes get taken in by media hype, greed-fear driven tactics and the marketing machine behind the big financial companies. Everyone has the temptation to chase returns and make uninformed, knee-jerk reactions as the volatile markets move up and down. In fact, these behaviors have been proven in numerous studies to negatively impact portfolios over the long term. Our value is being your advocate to guide you (and keep you calm and on track), providing our experience and expertise while also presenting you with the facts based on academic research vs. hearsay. Our steady hand during turbulent times can have a significant impact on the long term survivability of your portfolio.

- **Alpha Strategy #3: Evidence-Based Planning and Investing**
  According to Robin Powell, a British journalist, “All too often we base our investment decisions on industry marketing and advertising or on what we read and hear in the media or on something else altogether." Evidence-based retirement planning and investing is the idea that no advice should be given until it's backed by reliable research and evidence, and shown to be effective over the long term. Thus, evidence-based advice requires a commitment to being a student for life, consistently staying abreast of academic research and best practices while protecting client's best interests. Most advisors aren't interested in this level of commitment or learning...it's far easier to simply collect investments, fees and commissions and call it a day.

- **Alpha Strategy #4: Investment Management Effect**
  Utilizing high quality money managers or individual stocks combined with "low-cost" index strategies can yield a higher portfolio return or increased Alpha (above benchmark returns). It's imperative to utilize managers that have proven Alpha ability, in combination with indexing asset classes where Alpha is harder to attain. In addition, low advisor fees are paramount to allowing a portfolio to outperform the appropriate benchmark over time. We partner with institutional money managers which gives us access to institutional investments that aren't available to individual investors. These investments carry substantially less internal expenses. If fees are kept as low as possible, Alpha increases.

  Fiercely Independent Investment Analysis – Being an independent advisor affords us the ability to utilize virtually any mutual fund, exchange traded fund or stock with no proprietary pressures. Our advanced screening criteria developed over the past 30 years enables us to identify and utilize the “best of the best” money managers to offer the highest potential returns with no potential conflict of interest. We give our clients access to the industry's best money managers at the lowest possible cost. All accounts are regularly monitored and re-balanced on regular basis to make sure your returns are maximized.

- **Alpha Strategy #5: Product Reallocation (**Reduce Portfolio Volatility)
  Proper asset allocation and diversification are the most powerful ways an advisor can help a client manage retirement risks (volatility, sequence of return, inflation, interest rate and longevity) and achieve their retirement goals. The best part is you don't have to give up return for a reduction in risk. Who says you can't have your cake and eat it too?

  A recent research study commissioned by Nationwide Financial and completed by Morningstar Investment Management LLC, compared a traditional 60/40 stock and bond portfolio to a portfolio consisting of stocks, bonds and fixed indexed annuities (FIAs). The study concluded that by repositioning a traditional retirement portfolio consisting of 60% equities and 40% bonds to a portfolio consisting of 36% equities, 24% bonds and 40% fixed indexed annuities (FIAs) offers virtually the same return, but with a 40% reduction in potential portfolio risk and volatility. Research has indicated that when taking income from a retirement portfolio, the portfolio with the lower volatility will last longer.

  The Nationwide/Morningstar study offers irrefutable evidence supporting the benefits of FIAs in combination with traditional stock and bond investments. The 36/24/40 optimized portfolio in the study is subject to adjustment and the proper allocations should be based upon each retiree’s individual situation. Some individuals may benefit from a more aggressive portfolio which would consist of more stock percentage, while some situations may require more guarantees offered by a higher percentage of FIAs in the portfolio. Ultimately, a sophisticated retirement income projection analysis will determine the proper allocation to delegate to FIAs, Bonds and Stocks to offer the best potential retirement outcome.

The "unconventional" Retirement Solved Multi-Disciplined Retirement Strategy (MDRS) is our solution, combining traditional investments (stocks and bonds) with an allocation to FIAs (for portfolio volatility reduction). The MDRS offers the optimum blend of growth and risk reduction for maximum retirement portfolio sustainability.

- **Alpha Strategy #6: Income Buffer Strategy** (reduce sequence of return risk)
  Creating a "safe money" Income Buffer, that is unaffected by stock market portfolio downturns, will increase the stock portfolios survival rate when experiencing severe market losses. The buffer should be in place prior to retirement to withdraw from when the stock market suffers a loss above 10%. The buffer can consist of any asset that will be unaffected by a market downturn such as cash value life insurance, a reverse mortgage reserve account, short duration high quality bonds, guaranteed Equity Index Annuities, etc. An Income Buffer should be created with 5-10 years of required annual retirement income to assure the funds are available to produce income necessary in the event of stock portfolio losses. The buffer should be utilized for income until the stock portfolio fully recovers from the loss in value. This strategy will dramatically reduce the effect of market volatility risk and sequence of return risk.

- **Alpha Strategy #7: Social Security Maximization**
  Utilizing the optimal filing strategy and proper timing to begin Social Security benefits can dramatically increase your income and ultimately increase your retirement portfolio survival rates. Social Security accounts for approximately 33% of your income in retirement. It's critical to deploy a strategy that allows you to keep as much of your benefit as possible. It's not as simple as filing as soon as you're eligible. There are a number of factors and calculations that must be done *prior* to filing. Our software provides this maximization strategy as an integrated part of the overall analysis we conduct. The software also determines how to minimize the impact of taxes while maximizing your benefits. As you may or may not know, in some situations Social Security can be taxed up to 85%. Our Social Security strategy can have a potentially big impact on your retirement outcome.

- **Alpha Strategy #8: Tax Efficient Withdrawal Strategy**
  "There's no getting around taxes" is the conventional wisdom employed by most retirement planning strategies. But there's a multitude of tax planning strategies to offset income from a variety of sources.

  Re-categorizing retirement assets and utilizing an *unconventional* tax efficient withdrawal strategy versus the *conventional* withdrawal strategy can reduce taxes to 0% in retirement and potentially add 5-15 or more years of portfolio survival. The most significant benefit of this is you don't have to add a single cent to your portfolio. Efficiently repositioning retirement assets and utilizing the proper sequence of withdrawals (tax-free accounts, tax-deferred accounts, and taxable accounts) can reduce the negative effect of Required Minimum Distributions (RMDs) and Social Security taxation creating a more effective withdrawal strategy.

"Not everything about good planning is necessarily about creating more wealth. Often it's about trying to help someone strategize about the best way to enjoy the wealth they do have!" -Michael Kitces

Case Study: The Value of Retirement Solved Alpha Efficient Strategies

The Retirement Solved Alpha Efficient Strategies can potentially add up to 3.0% or more additional equivalent yield to a retirement portfolio, inclusive of our fees. The case study that follows illustrates the dramatic difference and value this can add for a retiree. This is an actual client analysis in which we compared two retirement scenarios in an effort to determine the effect the various Retirement Solved Alpha Strategies would have on the overall retirement outcome.

Scenario #1 (TRAA 6040) is the traditional retirement solution most individuals or advisors utilize. The retirement assets are invested in a traditional 60% stock and 40% bond portfolio and are subject to the average portfolio returns and market volatility. Scenario #2 (MDRS 6040) will be invested in a retirement optimized portfolio consisting of 60% stocks and 40% fixed indexed annuities (FIAs) which has been proven to dramatically reduce portfolio risk or volatility while increasing portfolio returns.

The Alpha Strategies assessed and calculated utilizing our Retirement Income Projection Analysis (RIPA) technology include:

- **Alpha Strategy #1: Reduced Portfolio Management Fees**
- **Alpha Strategy #4: Investment Management Effect**
- **Alpha Strategy #5: Product Reallocation**

Retirement Income Projection Analysis (RIPA)

Assumptions Utilized:	
Gross Rate of Return Estimate	**Current Age**
Stocks: 8%	Sue: 50
Bonds : 2%	Paul: 55
Equity Index Annuities: 4%	**Retirement Age**
	Sue: 60
Gross Melded Portfolio Rate of Return Estimate	Paul: 58
Multi-Disciplined Retirement Strategy 6040 (MDRS 6040): 6.5%	**After Tax Retirement Income Goals**
Traditional Asset Allocation 6040 (TRAA 6040): 5.5%	$7,500/month income inflated @ 2.50% annually
Total Annual Fee Estimates	$1,000/month additional health care expenses inflated @ 3% annually
MDRS 6040: 1.40%	**Social Security Income beginning at 67 (FRA)**
TRAA 6040: 1.80%	Sue @ $2,341/month inflated @ 2% annually
	Paul @ $2,864/month inflated @ 2% annually
	Total Retirement Assets (IRA's, 401(k)'s, etc)
	$983,261

RIPA Summary

Our Retirement Projection software has the ability to utilize many different market environments to "stress test" the retirement plans we build. We always run several market environment simulations (both positive and negative) to test the plan, to assure our clients portfolios have the greatest potential to survive during any market environment.

With this Case Study we used an "average sequence of return risk" market environment since this will project how an average market volatility environment will affect the retirement outcomes in both retirement scenarios
compared. Research has proven that when withdrawing money from a retirement portfolio, the portfolio with a lower volatility level or risk will survive longer, all other variables being equal (withdrawal amount and rate of return).

RIPA Comparison Summary

	Portfolio value @ Age 75/70	Portfolio value @ Age 85/80	Portfolio value @ Age 95/90
TRAA 6040 (5.5% gross rate of return)	$1,226,677.	$ 0 (portfolio depleted age 83/78)	$ 0
MDRS 6040 (6.5% gross rate of return)	$2,868,647.	$1,409,750. (portfolio value age 83/78: $1,896,771)	$ 148,056.

TRAA 6040 = Traditional retirement asset allocation of 60/40 stocks & bonds/MDRS 6040 = Retirement Solved - Multi-Discipline Retirement Strategy

The Positive Alpha Effect

The RIPA comparison shows the dramatic effect Alpha Strategies can have on a retirement outcome. In scenario #1 (TRAA 6040), the portfolio ran out of money at age 83/78 while scenario #2 (MDRS 6040) still had an account balance of $1,896,771 at the same age.

We have an additional technology we utilize to determine the effect that two other Alpha components can have on a retirement outcome:

- **Alpha Strategy #7: Social Security Maximization**
- **Alpha Strategy #8: Tax Efficient Withdrawal Strategy**

When completing the Social Security / Tax Efficiency Projection we determined that an additional $1,005,498 can be realized by these clients if they utilize the proper Social Security filing strategy and tax efficient withdrawal strategy.

Cumulative Summary (5 alpha effects on retirement)

- MDRS 6040 benefit versus TRAA 6040: $1,896,771
- Social Security & Tax benefit: $1,005,498

Total **$2,902,267**

The final outcome for these clients was that they could realize $2,902,267 more value in retirement by properly planning their retirement utilizing progressive Retirement Solved Alpha Strategies. Based on this case study the Conventional or traditional retirement planning strategies are just ineffective and a change in strategy when entering or in retirement must be utilized to get the best retirement outcome possible.

Retirement Solved Can Keep You on Track

Good advisors can do good things for their clients. But in the final analysis, those who provide the most value have a commitment to getting you on track for retirement and keeping you on track. In addition, a great advisor will be 100 percent committed to: educating you, leading you through a planning process, implementing a research-backed plan with proven strategies, and helping you stay on track in the face of adversity and life changes. He/she is your insurance policy against making BIG mistakes that could cost you dearly. However, an advisor unlike most insurance, will add value and protect you and your nest egg.

Many advisors make claims that they do retirement planning, but very few actually have the commitment, technology, tools and skills it requires. At Your Retirement Advisor, we eat, drink and sleep retirement. No one is better positioned or equipped to help you navigate the muddy waters of retirement planning. No one else has our Retirement Solved Alpha super power!

When you decide to partner with Your Retirement Advisor, our Alpha will be apparent from the first time you meet with us...that is, if you're open to understanding that retirement planning requires a different approach from other financial planning you've done. As Your Retirement Advisor we promise to do more to help you know more, get more, keep more and have more...now and in retirement. We welcome you to partner with us on your retirement journey and experience a smarter, progressive, efficient and more intimate kind of retirement advice…and leave with a renewed purpose, a comprehensive plan and peace of mind.

"So, do financial advisers add value? The research strongly supports that they do, both in terms of improving means and quality of life. But they only add value when we know what to look for when selecting the appropriate partner. Our natural tendencies will be toward excess complexity and flashy marketing, seeking out those who lead with bold claims of esoteric knowledge. What will add much greater richness is a partner who balances deep knowledge with deep rapport. Someone we will listen to when we are scared and who will save us from ourselves; a simple solution to a complex problem."

-Behavioral Alpha: The True Power of Financial Advice, Daniel Crosby, Ph.D., Nocturne Capital, October 17, 2016

About Your Retirement Advisor™

81% of baby boomers don't know how much money they'll need in retirement. Another 84% don't have a written retirement plan. Yet they control 80% of the assets in this country. Your Retirement Advisor's mission is to make preparing financially for retirement easier and more affordable, while guiding the transition into retirement with a "sustainable for life" financial plan. With its Retirement Solved™ approach, the company focuses on teaching people how to save right today and spend right tomorrow. Powered by technology, process and research, the unconventional approach integrates education, guidance, analysis and strategy for efficient and effective, one-stop retirement planning. For more information, visit: http://www.yourretirementadvisor.com

Your Retirement Advisor™

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Sources:

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- Evaluating Financial Planning Strategies And Quantifying Their Economic Impact, The Kitces Report, 2015

Helpful Questions to Ask an Advisor About Their Fees

Fee Disclosure Worksheet

- What are the "total" fees to work with you? (it's critical to receive full disclosure from anyone that is going to provide you any services). Use the form on the next page 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 ____