

## Fiduciary Standards - The Foundation for Trust

In an environment of investor anxiety and financial industry corruption, many investors seek out guidelines to help them determine which advisors to trust. At the same time, reliable investment advisors recognize that their trust must be earned, and want to be able to demonstrate their integrity. A good measure of an advisor's commitment is whether he or she is considered a "fiduciary."

### What Is a Fiduciary?

A "fiduciary" is someone who manages the assets of another person and stands in a special relationship of trust, confidence, and/ or legal responsibility. He or she is required by law to always act in the best interests of their clients.

Fiduciary standards for investment advisers have been developed over years of prudent practice. They are based on seven precepts, namely that advisors should:

1. Know standards, laws and trust provisions.
2. Diversify assets to the specific risk/ return profile of the client.
3. Prepare an investment policy statement.
4. Use "prudent experts" and document due diligence.
5. Control and account for management fees and expenses.
6. Monitor the activities of "prudent experts".
7. Avoid conflicts of interest and prohibited transactions.

Traditional brokers are not subject to the fiduciary standard, but rather something called a "suitability standard." Brokers are not required to act in the best interests of their clients, and, in many cases, they might be prohibited from complying with the fiduciary standards by their brokerage firms. The broker's primary duty is to his or her employer, and it's virtually impossible to serve two masters.

### CEFEX: The Gold Standard

Within the last few years, the Centre for Fiduciary Excellence<sup>®</sup>, CEFEX<sup>®</sup>, introduced the CEFEX Seal of Excellence to set standards for accreditation of investment fiduciaries. CEFEX is an independent global assessment and certification organization. It has established an independent process for certifying a fiduciary's conformity to a defined set of best practices. Fiduciaries who meet these rigorous criteria qualify to display the CEFEX Seal of Excellence. Plancorp, LLC was



the first financial advisor in the State of Missouri to get certified, and is one of fewer than 150 financial advisory firms worldwide who have gained such recognition.

A CEFEX fiduciary certification is an independent recognition of a fiduciary's conformity to fiduciary best practices that is positioned to earn the public's trust.

### **Plancorp's Commitment**

Plancorp takes its fiduciary role seriously. By subjecting itself to an independent third party assessment, it has taken a proactive step to ensure its processes are sound so its clients will benefit from internationally recognized best practices. In addition to the CEFEX firm certification process, a CEFEX partner, fi360<sup>®</sup>, has created an individual certification process that leads to an Accredited Investment Fiduciary<sup>®</sup> designation (AIF).

Presently, all members of senior management of Plancorp hold the AIF designation. An AIF designation represents an individual's knowledge of the Fiduciary Standards of Excellence and their application of such standards into their practice. In addition, Plancorp has taken a leadership role through its membership in Zero Alpha Group (all members of which are CEFEX-certified) to further the highest industry standards for fiduciaries.

### **The Measure of a Fiduciary**

When engaging any financial advisor, one should ask the attached questions to determine the advisor's adherence to fiduciary standards. To assist you, we have also provided Plancorp's answers to the suggested questions so a prospect can compare our answers with those of any other advisor or broker.

Please don't hesitate to call if you have any questions regarding Plancorp, CEFEX or AIF, and what it means to you or your clients. We take great pride in serving our clients according to the highest international standards.

## 12 Questions to Ask Your Advisor

- 1. Are you registered with the appropriate regulators as an investment adviser? If so, have you provided me with all the disclosures required under those laws?*
- 2. Do you or a related company have relationships with money managers that you recommend, consider for recommendation, or otherwise mention? If so, describe those relationships.*
- 3. Do you or a related company receive any payments from money managers you recommend, consider for recommendation, or otherwise mention? If so, what is the extent of these payments in relation to your other income (revenue)?*
- 4. Do you have any policies or procedures to address conflicts of interest or to prevent these payments or relationships from being considered when you provide advice to your clients?*
- 5. If you are hired, will you meet with the client at least annually to determine whether goals and objectives are being met and review portfolio performance since inception and year- to- date net of all fees and expenses?*
- 6. Do you have any arrangements with broker- dealers under which you or a related company will benefit if money managers place trades for their clients with such broker- dealers?*
- 7. Do you consider yourself a fiduciary with respect to the recommendations you provide the client?*
- 8. If you are hired, will you acknowledge in writing that you have a fiduciary obligation as an investment adviser to the client while providing the consulting services we are seeking?*
- 9. Will you provide a written Investment Policy Statement defining our investment strategy?*
- 10. What percentage of your clients utilizes money managers, investment funds, brokerage services or other service providers from whom you receive fees?*
- 11. Please explain in detail all fees being charged by you and all money managers, investment funds, brokerage services or other service providers utilized with respect to our account.*
- 12. Have you or your firm been subject to regulatory discipline by a regulatory body that governs you or your firm for unlawful or unethical actions?*

## 12 Questions to Ask Your Advisor: Plancorp Responses

1. Are you registered with the appropriate regulators as an investment adviser? **Yes.**

If so, have you provided me with all the disclosures required under those laws? **Yes.**

2. Do you or a related company have relationships with money managers that you recommend, consider for recommendation, or otherwise mention? **No.**

If so, describe those relationships. **N/A**

3. Do you or a related company receive any payments from money managers you recommend, consider for recommendation, or otherwise mention? **No.**

If so, what is the extent of these payments in relation to your other income (revenue)? **N/A**

4. Do you have any policies or procedures to address conflicts of interest or to prevent these payments or relationships from being considered when you provide advice to your clients?  
**Our policy is that we are only paid directly by our client and no one else, thereby resulting in the total avoidance of any conflict of interest.**

5. If you are hired, will you meet with the client at least annually to determine whether goals and objectives are being met and review portfolio performance since inception and year-to-date net of all fees and expenses? **Yes.**

6. Do you have any arrangements with broker-dealers under which you or a related company will benefit if money managers place trades for their clients with such broker-dealers? **No.**

7. Do you consider yourself a fiduciary with respect to the recommendations you provide the client? **Yes.**

8. If you are hired, will you acknowledge in writing that you have a fiduciary obligation as an investment adviser to the client while providing the consulting services we are seeking?  
**Yes; this is acknowledged in our agreement with you.**

9. Will you provide a written Investment Policy Statement defining our investment strategy?  
**Yes.**

*10. What percentage of your clients utilizes money managers, investment funds, brokerage services or other service providers from whom you receive fees?*

None, because we do not receive fees from any money manager, investment fund, brokerage service or other service provider. We only received fees directly from our client.

*11. Please explain in detail all fees being charged by you and all money managers, investment funds, brokerage services or other service providers utilized with respect to our account.*

We charge 1% on the first \$1,000,000 of assets under management, 0.75% on assets from \$1M to \$3M, 0.60% on assets from \$3M to \$5M, 0.50% on assets from \$5M to \$10M, and 0.45% on assets above \$10M. Financial planning fees are included in this charge. In addition, the mutual fund expense ratio for our portfolios is, on average, approximately 0.30%. The fee for management of retirement plans is based on the number of participants as well as the amount of assets in the plan.

*12. Have you or your firm been subject to regulatory discipline by a regulatory body that governs you or your firm for unlawful or unethical actions? No.*