



AXXCESS LINK
Retirement Solutions

401k Fee and Conflict Analysis for the Auditing, Accounting, and Tax Professional

Objective

Understand the impact of the DOL Fiduciary Rule on 401k plans, and how the CPA professional can address excess fees and identify fiduciary risks for plan sponsors.

Outcome

The CPA that understands this new regulatory change has the unique market advantage to align themselves with the significant dislocation created by the DOL Fiduciary Rule.

2016 Final DOL Rule:

“The changes in the retirement landscape over the last 40 years have increased the importance of sound investment advice for workers and their families. While many advisers do act in their customers' best interest, not everyone is legally obligated to do so. Many investment professionals, consultants, brokers, insurance agents and other advisers operate within compensation structures that are misaligned with their customers' interests and often create strong incentives to steer customers into particular investment products. These conflicts of interest do not always have to be disclosed and advisers have limited liability under federal pension law for any harms resulting from the advice they provide to plan sponsors and retirement investors. These harms include the loss of billions of dollars a year for retirement investors in the form of eroded plan and IRA investment results, often after rollovers out of ERISA-protected plans and into IRAs.”

Source: DOL Fiduciary Final Rule 4/2016

Key reasons for the CPA to take an advocacy role:

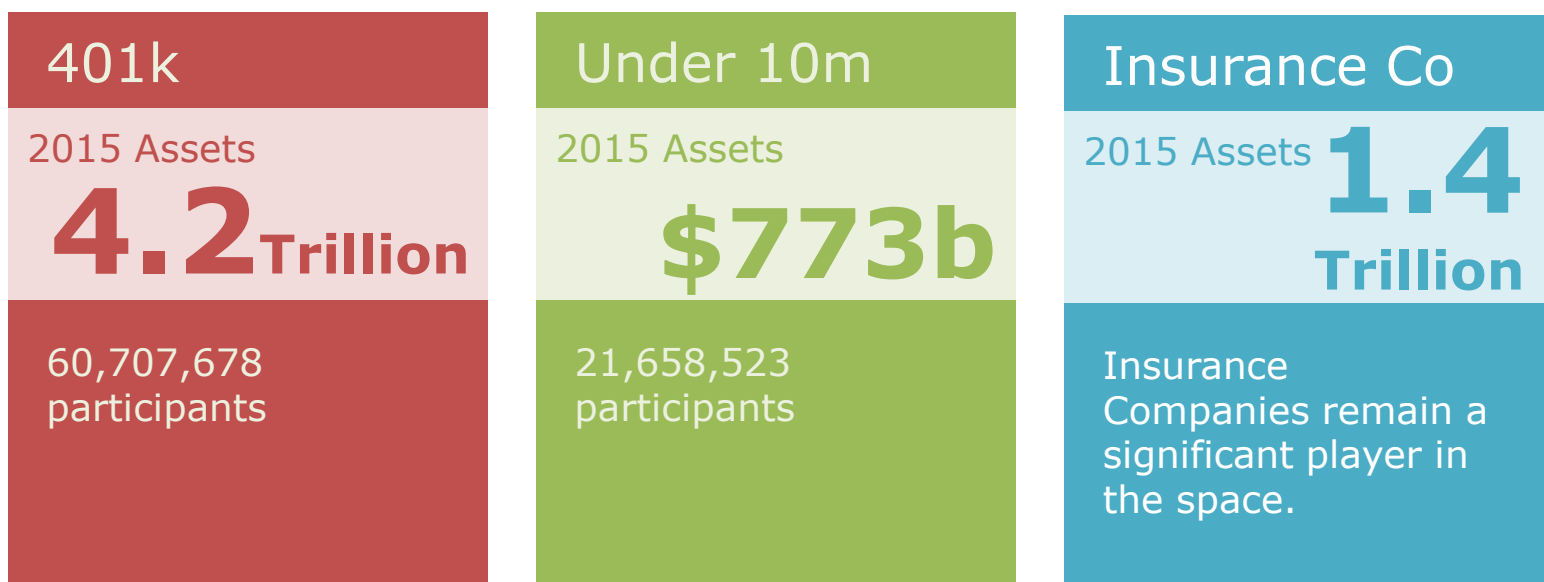
Plan sponsors, as a whole, are unaware that participants pay disparate fees, and service providers, particularly record-keepers that receive revenue-sharing payments, are not going to address it, experts say. It is incumbent on sponsors, then, to ask their plan advisers and record-keepers about fee levelization.

January 14th, 2016-PlanSponsor

The tax professional is in a unique role as a trusted advisor to a business owner. The broker or advisor to a retirement plan has no incentive to review their own fees. Certainly, the recordkeeper or 401k platform provider is not going to raise the issue of their own fees with the business owner. Uniquely, the CPA, EA, or plan auditor is.

Understanding the key points made in the DOL is an imperative for the tax professional that advises business owners. The DOL makes two main points:

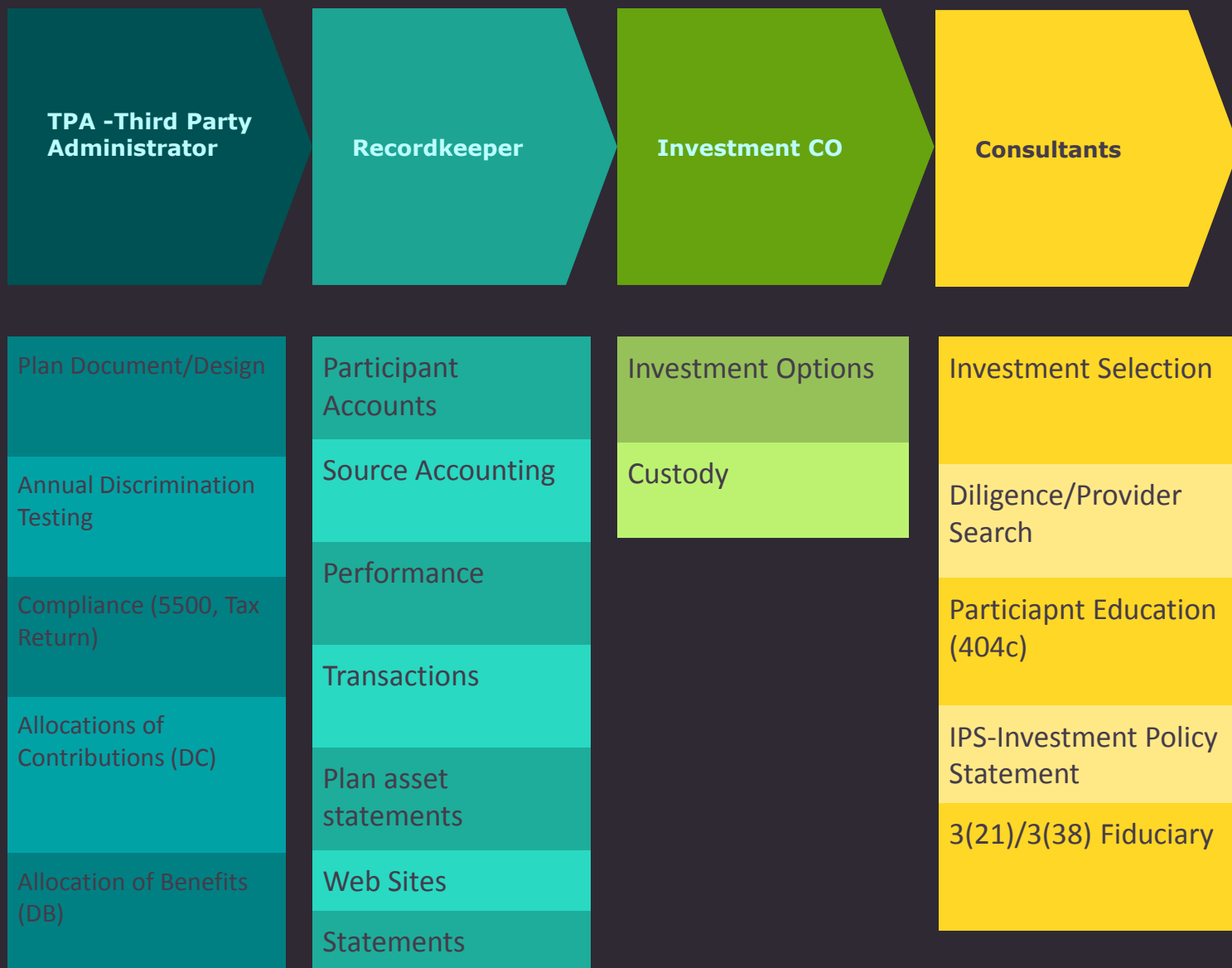
- Plans are paying excessive fees.
- Plan sponsors need a mechanism to identify and deal with conflicts of interest.



Source: 2015-PlanSponsor

Relationship of Providers

Who are the parties that provide services, and what do they actually do?



Fee Methodology

A Generalized View of how services are paid.

1

TPA- Company Paid, Annual Flat + per head charge

2

Recordkeeper- Asset Based, priced by AUM/PPNT ratio.

3

Investment Co-Std Investment Internal Exp, may have 12b1 +Sub TA Fees

4

Consultants- Basis Points on Assets, or flat annual fees. Can be charged at sponsor, plan, or participant level.

Key Points to the DOL Fiduciary Rule:

Relevant issues for the CPA and Plan Sponsor.

1

Addressing plan liability from the fiduciary perspective

2

Exposing significant cost savings

3

Plan review compensation arrangements

4

Plan sponsors will need a mechanism for identifying and detecting conflicts of interest.

5

Increased liability for insurance or Broker Dealer sold plans.

6

Aimed at stopping \$17b/y investors waste in excess fees.

DOL Fiduciary Rule

Review of who is a fiduciary



Named Fiduciary

- Identified in plan document.
- Has principal responsibility for plan.



Definition of “Named Fiduciary”

- Named in plan document. Manages the investment menu, administers the plan, engages and decides on service providers
- Employer traditionally serves in this role.



ERISA establishes same standard for all fiduciaries - “Prudent Man Standard of Care.”

- Duty of Loyalty
- Exclusive Purpose Rule
- Duty of Prudence
- Duty to Diversify
- Plan Governance Rule



How Standard Applies to DC Plans

Duty of Loyalty: All decisions must be made solely in interest of participants.

Exclusive Purpose: Fees for investment menu and service providers must be reasonable.

Duty of Prudence: Providers and investment menu must be selected prudently and monitored.

Duty to Diversify: Menu must include broad range of investments.

Plan Governance: Procedures and guidelines must be followed.



3(21)-Provide investment recommendations and non-discretionary advice.
Acknowledge recommendations will be “investment advice” under ERISA.



3(38)- Offers greatest fiduciary protection under ERISA.
Must have discretion to add or remove investments from DC plan’s menu.
Sponsor is not responsible for individual acts of 3(38) Fiduciary.

Asset based recordkeeping charges

Addressing a major culprit of excess fees

Record keeping includes services such as statements, participant websites, contribution source accounting, performance reporting, loan and distribution accounting. Many small and medium sized plans pay for recordkeeping services through an additional contract or asset based fee that is paid by participants. One can best understand the impact of asset based recordkeeping fees by realizing that services does not scale with asset size, but the fee does. A plan with a .25% annual recordkeeping charge or asset based fee deducts \$250 for services from a participant with \$100,000 balance, and \$25 from a participant with a \$10,000 balance. The services delivered are the same. Another way to look at the cost of the fee is the compounded negative effect it has on retirement balances. A fund that returns 10% is reduced to 9.75% as a result of this fee.

A plan that has a high disparity of account balances- typical in professional services companies- the owner may unknowingly be paying significantly more than they think. They are likely not using the website, and just throwing their statements away.

Levelized or per head cost
structure for recordkeeping
should be compared to asset
based approaches.

The following example is a medical practice that illustrates this point.

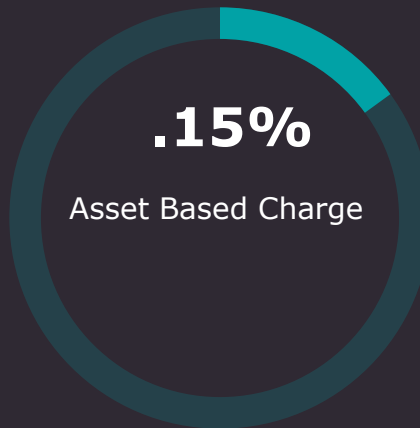
The Asset Based Model-Case Study

Typically in insurance company group VA, and payroll platform administered plans.

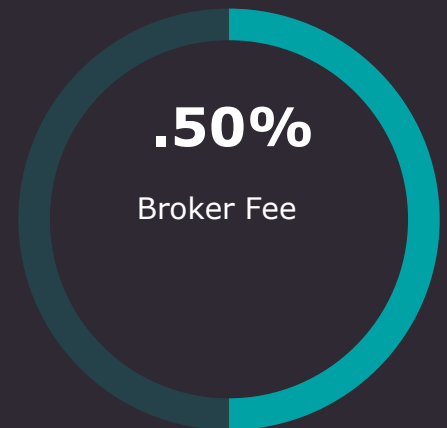
Ins Co Platform 401k plan
\$1.1 M Plan Assets
12 Participants
2 HCE-\$850,000 of the total plan
10 NHCE



\$11,550
Investment Expense



\$1,650
Asset Based Record-Keeper
Fee



\$5,500
Broker Commission



\$11,165
HCE/2

\$5583 per HCE

\$14,450
Total Plan
Expense



\$3,285
NHCE/10

\$328 per NHCE

Implementing a plan through an open architecture custodian will enable the trustee to select no load, or institutional funds with the lowest expense ratios.

Transparent, competitive, flat-dollar fees and full fee disclosure—charging the same competitive recordkeeping fee for each participant will avoid the inequitable allocation of fees found in basis-point – pricing—where the fees grow as the plan assets grow and those with larger account balances pay more than their fair share.

Avoiding a plan provider that has limitations on investment choice, or provides proprietary investment choices may prevent the trustee from acting in the best interest of the participants. Initial investment menu selection should be based on a set of objective criteria applied to the entire investment universe. 401k providers that promote their own investment choices should be carefully considered against category and peer averages to ensure proper fiduciary stewardship.

The following example is a medical practice that illustrates this point.

The Asset Based Model-Case Study

Typically in insurance company group VA, and payroll platform administered plans.

Ins Co Platform 401k plan
\$1.1 M Plan Assets
12 Participants
2 HCE-\$850,000 of the total plan
10 NHCE

.29%

Investment Exp

\$3190

Investment Expense

\$58

Per Head

\$696

Per Capita Based
Record-Keeper Fee

.45%

3(38) + Plan
Advisor/Consultants/
Custody

\$4,950

Plan Advisory/Fiduciary/Custody

77%

Assets belonging to
HCE

\$6,404

HCE/2

\$3,203 per HCE

\$5,583 per HCE Asset Based

\$8,836
Total Plan
Expense

23%

Assets Belonging to
NHCE

\$2,430

NHCE/10

\$243 per NHCE

\$328 per HCE Asset Based

Integrating a plan review into your practice:

Data Collection

- Most recent 5500
- 408 B(2) statement of fees
- Most recent non discrimination test (ADP/ACP)
- Plan Asset Summary by fund

Identify service providers

- Recordkeeping
- Broker
- TPA service agreements
- External 3(21) or 3(38) agreements
- Custody agreements
- Investment Manager agreements

Identify the fiduciary(s)

- Trustees
- Board of Directors
- Consultants
- External 3(21) or 3(38) Co Fiduciary
- Investment Policy Statements

How we support your practice:

Investment Performance/ Cost Analysis

- Investment Fund Costs/Benchmarking
- Performance and Risk Analysis
- Recordkeeping Costs
- Advisor Costs
- TPA Plan Administrator Costs
- Plan Audit Costs (larger plans)
- Custodial Costs

Service Provider Analysis

- Review your fee disclosure documents to help ensure they are in compliance;
- Benchmark the costs of your Service Providers
- Typically recommend Non-Revenue sharing funds (index or institutional share class funds) to remove the revenue sharing issue;
- Work with the existing Recordkeeper—or help find a new one—that will employ a fee-leveling process for any excess fund revenue that is generated.
- Work with the Recordkeeper to structure the Recordkeeping costs on a flat fee basis.
- Custodial RFP searches focused on true open architecture custodial platforms.

Fiduciary and Governance Analysis

- Investment Policy Statement drafting and review
- Investment menu analysis and construction
- Governance and Fiduciary Reporting
- External 3(21) or 3(38) Co Fiduciary Selection /Monitoring
- QDIA and Target or Glidepath Fund analysis
- Plan Design, Installation, and Monitoring
- Participant Enrollment and Education

AXXCESS-LINK is a retirement recordkeeping system that charges no asset based fees for record keeper services. Instead, participants pay one flat fee regardless of their account size in the plan.

401(k) Plans move platforms for two reasons: Servicing issues and Investment performance/cost.

If a consultant or participant tells you that your investment choices are poor or expensive, they might be, but moving the plan is the most disruptive option. If one of your service providers is not making the grade, it may be difficult to replace them without moving the plan.

We have solved both of these issues and that is what differentiates us.

Our approach is different from most consultants. A typical consultant will take a survey of your current plan, and send that data out to 401k providers for a quote. You sift through the results of the RFP with the expectation that you will move the plan.

We believe the RFP starts with the investment custodian.

AXXCESS-LINK is a 401(k) platform that helps a business owner manage plan costs and provide employees with true conflict free investments and advice.

Using a true investment custodian like:

- Charles Schwab
- TD Ameritrade
- Fidelity
- Pershing
- Matrix Direct

Allows the plan to choose the best investments on the best platform. No more moving the entire plan if investments need to be replaced.

Choose to work with an existing TPA partner or choose from our network of over 220 TPAs—and growing every day ■ Choose to work with any of our leading custodial partners ■ Choose to work with an existing strategist or choose from any of our investment strategist partners ■ Choose from over 25,000 investment options including ETFs, collective trusts, stable value funds and mutual funds with no restrictions ■ Choose to offer the opportunity to allocate revenue share back to the participant at the fund level or use it to pay plan expenses

With AXXCESS-LINK you finally have an investment and recordkeeping platform that is free from broker fees and commissions. Have us review your 408b(2) statement today!

LIMITED DISRUPTION TIMELINE:

Start-Up plans: 45 days / Conversion Plans: 60 days

www.axxcesslink.com



Documents
Operational forms & notices

Tools & Calculators
Learn more about your retirement

About
Visit our Corporate Site

Contact Us
Questions?

Access your retirement account

Fee Schedule- Current Assets



AXXCESS LINK
Retirement Solutions

Plan Name: **SAMPLE PLAN**
Plan Assets: **\$954,913**
Number of Participant: **12**
Number of NHCE: **11**
Number of HCE: **1**

December 12, 2015
Proposals are valid for 90 days

	Current	Proposed
One Time Plan Installation Fees	Sample Plan	Axxcess LINK
Plan Installation		\$0.00
Plan Documents		NA
Enrollment Materials (1)		\$25.00
Prior Plan Termination Fee	\$ 1,500.00	\$0.00
Plan Document Fee *	\$	\$0.00
Est. Total Establishment Fees:	\$ 1,500.00	\$25.00
Recurring Annual Plan Fees		
Annual Base Recordkeeping Fee (2)	\$ -	\$1,200.00
Recordkeeper Per Participant Fee - \$ (3)	\$ -	\$496.00
Administration (4)	\$ 3,470.40	\$2,332.00
Custody Administration Fee - (5)	\$ -	\$238.73
Investment Advisory Fee (6)		\$3,819.65
Revenue Share Fee Offset - 00% (8)		
12b-1 Broker Commission	\$ 4,774.57	
Sub TA Fees	\$ 1,432.37	
Internal Investment Expense - (7)	\$5,156.53	\$2,100.81
Est. Total Recurring Plan Fees	\$ 14,833.86	\$10,387.19
Transaction Fees paid by Participant		
Loan origination (per occurrence):	125	\$50.00
Distribution processing (per occurrence):	50	\$50.00
Plan Expense Summary		
Est. Total Year 1 Fees	\$ 14,858.86	\$10,412.19
Est. Annual Expenses as % of Assets	1.55%	1.09%
Est. Avg Annual Cost per Participant	\$ 1,236.16	\$865.60
Actual Plan Expense Allocation		
Actual Cost to Plan Sponsor	\$3,470.40	\$3,532.00
Average Cost to a NHCE Participant	\$369.55	\$222.94
Average Cost to a HCE Participant	\$7,298.44	\$4,402.90

- (1) 12 Enrollment books @ \$3.75 plus set up fee of \$25.00 (Shipping not included).
(2) Annual Base Recordkeeping Fee is a flat fee paid by the plan sponsor annually.
(3) Custody Administration Fee of 0.025% of plan assets and \$500 covers fees required by Schwab to serve as Custodian.
(4) Administration services for Compliance Testing and Form 5500 Filing provided by RSC.
(7) Average internal fund expense of 0.000022% applied to plan assets.

©2015 AXXCESS-LINK powered by Aspire Financial Services, LLC. All rights reserved. Proprietary and confidential. Axxcess-LINK is a service mark of Axxcess Wealth Management, LLC a registered investment advisor with the SEC. Axxcess does not warrant the accuracy or completeness of the information contained herein. Opinions are our current opinions and are subject to change without notice. Generally, investments are NOT FDIC INSURED, NOT BANK GUARANTEED and MAY LOSE VALUE. Brokerage services are offered through Arete Wealth Management, LLC a registered Broker/Dealer, member FINRA, SIPC, NFA.

Arete Wealth Management, LLC and Axxcess Wealth Management, LLC are not affiliated. Advisory services offered independent of Arete Wealth Management. Do not copy or distribute outside original intent.

Data collected and displayed have been obtained from information provided by the client. Axxcess does not warrant the completeness or accuracy of the information contained herein.

Select Your Calculator

AXXCESS-LINK Services



- Retirement Plan
 - Design, Installation, Management
 - Provider Search/RFP
 - Fi360 Diligence and plan analytics
 - Individual Portfolio Management
 - Ongoing Research, Diligence, Monitoring
 - Fiduciary Investment Advice
 - Private Equity, Real Estate, Hedge Funds
 - Choice of custodial relationship
 - Schwab
 - Ameritrade
 - Pershing
 - Matrix
- Risk Mitigation
 - 404c Employee Education
 - 3(21) and 3(38) Fiduciary Liability Guidance
 - Investment Policy Statement drafting
 - Committee Governance
- Strategy and Organization
 - Family Office Establishment
 - Business and deal evaluation
 - Estate Planning and Analysis
- Corporate Retirement
 - AXXCESS-LINK 401k Reporting for plan sponsors
 - Defined Benefit Plan Design
 - Pooled Account Investment Management.
 - Qualified and NQ Plan advisory
 - Executive Compensation
 - Recruitment
 - Retention
 - Short/Long Term Incentives
- Cash Flow and Budgeting
 - Monthly income and cash flow
 - Personal P and L, and Balance sheet reporting.
 - Comprehensive Asset Statements (monthly and annually)
- Service provider and advisor vetting and diligence
 - Team member background checks and professional assessment.



DISCLOSURE AXXCESS LINK is a service mark of Axxcess Wealth Management, LLC an SEC Registered Investment Advisor. AXXCESS-LINK is a custom branded technology licensed from Aspire Financial Services. Aspire is solely responsible for the maintenance, integrity and uptime of the system we license from them. All expressions of opinion reflect the current views of Axxcess Wealth Management, LLC. and are subject to change. Past performance may not be indicative of future results. There is no assurance any of the trends mentioned will continue or forecasts will occur. The performance mentioned does not include fees and charges which would reduce an investor's return. Dividends are not guaranteed and will fluctuate. Investing involves risk including the possible loss of capital. Asset allocation and diversification do not guarantee a profit nor protect against loss. Investing in certain sectors may involve additional risks and may not be appropriate for all investors. International investing involves special risks, including currency fluctuations, different financial accounting standards, and possible political and economic volatility. Investing in emerging and frontier markets can be riskier than investing in well-established foreign markets. Investing in small- and mid-cap stocks generally involves greater risks, and therefore, may not be appropriate for every investor. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices rise. U.S. government bonds and Treasury bills are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. U.S. government bonds are issued and guaranteed as to the timely payment of principal and interest by the federal government. Treasury bills are certificates reflecting short-term obligations of the U.S. government. While interest on municipal bonds is generally exempt from federal income tax, it may be subject to the federal alternative minimum tax, or state or local taxes. In addition, certain municipal bonds (such as Build America Bonds) are issued without a federal tax exemption, which subjects the related interest income to federal income tax. Municipal bonds may be subject to capital gains taxes if sold or redeemed at a profit. If bonds are sold prior to maturity, the proceeds may be more or less than original cost. A credit rating of a security is not a recommendation to buy, sell or hold securities and may be subject to review, revisions, suspension, reduction or withdrawal at any time by the assigning rating agency. Commodities and currencies are generally considered speculative because of the significant potential for investment loss. They are volatile investments and should only form a small part of a diversified portfolio. Markets for precious metals and other commodities are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising. Investing in REITs can be subject to declines in the value of real estate. Economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments.

NO OFFER OR SOLICITATION: The contents of this electronic mail message:

(i) do not constitute an offer of securities or a solicitation of an offer to buy securities, and (ii) may not be relied upon in making an investment decision related to any investment offering Axxcess Wealth Management, LLC, an SEC Registered Investment Advisor. Axxcess does not warrant the accuracy or completeness of the information contained herein. Opinions are our current opinions and are subject to change without notice. Prices, quotes, rates are subject to change without notice. Generally, investments are NOT FDIC INSURED, NOT BANK GUARANTEED and MAY LOSE VALUE. Brokerage services are offered through Arete Wealth Management, LLC a registered Broker Dealer, member FINRA, SIPC, NFA.

6005 Hidden Valley
Road
Suite 290
Carlsbad, Ca 92011
www.axxcesswealth.com
www.axxcesslink.com