

FEE EDUCATION BROCHURE

How to complete the Fee Comparison Section
of the Decision Optimizer Report

OVERVIEW

The purpose of this document is to assist you in accurately completing the Fee Comparison section found in the Decision Optimizer Report. Investment advisors are required to analyze and document the fees that clients, or prospective clients, are currently paying and what they could potentially pay for the newly recommended IRA.

The DOL Fiduciary Exemption rule holds investment advisors to a best-efforts standard in researching and determining the current fees paid by the client. Additionally, the SEC's Regulation Best Interest includes an explicit consideration of investment costs, both absolute and relative.

Please note that all fees should be listed as a percentage (%) of the total account value for ease of comparability.

DEFINITIONS

Fee Category	Definition
Continuing Sales Charges as a % of Total Account Value	This seeks to capture the annual upfront sales charge that clients pay on new deposits, on a yearly basis, expressed as a % of account value.
Blended/Weighted Expense Ratio	This is the average expense ratio for all of the funds, ETFs and other investments in the client's portfolio. To be as accurate as possible, use the weighted expense ratio, but a simple average of (blended) expense ratios can also be used as an approximation.
Investment Management Fee	This will depend on the type of account, but it typically includes the fee charged by the investment manager (like Vicus) or the recordkeeper fee for 401(k) plans.
Other Fees	This includes investment fiduciary services, Custodian and/or Third-Party Administrator (TPA) fees for 401(k) plans and any other miscellaneous fees, including trading charges.
Advisor Fee	This is the fee that the advisor charges. Note that advisor fees on commission accounts are often included in the sales charge and the fund expense ratios. This is only for separate advisor fees not included elsewhere.
Total Fee	Total of all fees that the client pays in relation to the management of their account.

DEFINITIONS

Term	Definition
Investment Advisor 3(21)/ Investment Manager 3(38)	Registered investment advisers who manage employer 401(k) plans act as fiduciaries to the plan and select the investment options for the overall plan, not the individual participants.
Net Expense Ratio	This is the actual expense that is charged to the client by the pooled investment fund (Mutual fund, ETF, Variable Annuity sub-account, etc.) Use this figure for your calculations, not the gross expense ratio.
Participant Fee Disclosure – 404a	Administrative Expenses Information An explanation of any fees and expenses for general plan administrative services that may be charged to, or deducted from, all participant accounts. Examples include: fees and expenses for legal, accounting, and recordkeeping services. Fees are typically disclosed in the beginning of the 404a disclosure, but may be located under different headings, for example, “Ongoing Fees and Expenses” or “Other Plan Administration Fees.” Fee and Expense Information An explanation of the fees and expenses for the investments in the plan. These are typically found towards the end of the 404a disclosure and are usually listed in tables. For many plans, these expenses are used to pay for multiple service providers.
Recordkeeper	Recordkeeper is the term traditionally used for the retirement plan’s investment platform and often also serves as the custodian of the plan’s assets. The term “vendor” may be used for this role as well. Common examples include Fidelity, Principal, Voya, Empower etc.
Third-Party Administrator (TPA)	A third-party administrator is a company that provides operational services such as claims processing and employee benefits management under contract to another company.
Weighted Expense Ratio	This expense ratio takes into account the different percentages of each fund that comprise the overall portfolio. Each fund’s expense ratio is weighted by the percentage of the value of the overall portfolio. For the purposes of this analysis, a simple average of the expense ratios in the portfolio can be used as an approximation.

EXISTING QUALIFIED RETIREMENT PLAN

The documents needed to determine the fees paid by the participant are the plan's most recent **Participant Fee Disclosure**, also known as the 404(a)5, and the **client's current account statement**. Clients are provided the 404(a)5 Fee Disclosure on an annual basis, which is typically available from the Recordkeeper. The client's employer should also be able to provide it to the client upon request. The client will have access to his/her account statement and it will provide a listing of the current investments in the portfolio.

Existing qualified retirement plans may have as few as one fee-type or as many as four. Fees are typically itemized as those paid by the Employer and those paid by Employees/Participants. For purposes of this analysis, you only need to list the **fees paid by participants**. Do not include fees paid by the employer.

Analysis of Fees

What you will need:

1. **Participant Fee Disclosure (Form 404(a)5) for the plan**
2. **Participant's Account Statement**

To Calculate the Fees

1. Use the client's quarterly account statement to identify the funds in which they are invested.
2. Identify the expense ratios for each of those funds using the Participant Fee Disclosure
3. Calculate the weighted or blended average of the expense ratio for each fund.
 - **Blended/Weighted Expense Ratio:** Record the average expense ratio charged to the client from the fund companies. Note that in many cases, all service providers will be paid from these fees.
4. Identify any other expenses paid by participants via Participant Fee Disclosure, usually these are at the beginning of the document.
 - **Continuing Sales Charge:** It is rare that an advisor is paid an upfront fee on employer sponsored plans, this is typically "0" or "none."
 - **Investment Management Fee:** This is the Record Keeper's fee, if it is not included in the expense ratio.
 - **Other Fees:** List the fees paid to the TPA or Investment Advisor/ Manager, 3(21) or 3(38), if separate from the expense ratio.
 - **Advisor Fee:** Enter the fee that the participant pays to an advisor, if separate from the expense ratio.
5. Add average fund expense and other fees together and enter total into the software under Plan - Estimated annual recurring all-in costs.

Alternative Method

A benchmark cost can be retrieved using a plan's assets and average account balance. You can lookup this data if the plan reports a Form 5500. Start by typing a few key words in the plan name, it's city and/or it's state to see the results.

Note

For plans that charge one-time fees in addition to recurring costs, please enter into the software, otherwise, leave the "None" box checked.

pg. 4/10

For Financial Professional Use Only. Not For Public Distribution.

Financial Planning and Advisory Services offered through Vicus Capital, Inc., a federally Registered Investment Advisor.

EXISTING QUALIFIED RETIREMENT PLAN

EXAMPLE

Client provides you with their most recent quarterly account statement and their most recent participant fee disclosure form for their \$100,000 account in their former employer's 401(k) plan. Client's current portfolio is invested as follows:

- **Vanguard Target Retirement 2030 Fund (VTHRX) - 75% and**
- **Undiscovered Managers Behavioral Val R6 (UBVFX) - 25%**
- Identify the funds the client is actually invested in per their statement: **VTHRX** and **UBVFX**
- Identify the expense ratios for each of those funds from the Participant Fee Disclosure (See screenshot below):
 - **0.14% and 1.07% (Please note that the Net Expense Ratio is used for this calculation)**
- Calculate the weighted or blended average of the expense ratios:
 - **Blended ratio = $(0.14\% + 1.07\%)/2 = 0.61\%$**
 - **Weighted ratio = $(0.75 * 0.14\%) + (0.25 * 1.07\%) = 0.37\%$**
 - **The weighted ratio is the more accurate figure to use**
- Look for other expenses paid by participants in the front of the Participant Fee Disclosure (See screenshot below):
 - **0.05% for custodial services from first section of the 404a**
- Add average fund expense and other fees together and enter total into the software under Plan - Estimated annual recurring all-in costs.

ALTERNATIVE METHOD

uses benchmark data for specific plan

Benchmark All-in-cost (annual)
PARTNERS FINANCIAL GROUP 401(K) PLAN ☒
MANAGING GENERAL AGENTS (MGA) DBA PENNSYLVANIA FINANCIAL GROUP
251372168
STATE COLLEGE, PA
PLAN YEAR: 2024 | \$9,650,229.00 | 63 PARTICIPANTS
Plan Size Range Average Account Balance

5 mil - 10 mil 100k

0.82 % \$820.00

EXACT METHOD

weighted ratio of 0.37% + other fees of 0.05%

Plan
Estimated annual recurring all-in-costs Estimated one-time charges (eg., commissions, surrender charges)
0.42 % \$420.00 % ☒ None

EXCERPT FROM 404(A)5 PARTICIPANT FEE DISCLOSURE

VARIABLE RETURN INVESTMENTS				
Fund Name	Net Expense Ratio	Gross Expense Ratio	Total Gross Annual Operating Expenses Per \$1,000	Shareholder Fees / Restrictions
Vanguard Target Retirement 2030 Inv - VTHRX	0.14%	0.14%	\$1.40	• Excessive Trading Policy restricts transactions deemed to represent excessive trading. • A Round Trip occurs when a shareholder redeems funds shares within 30 Days of the purchase date. • Excessive Trading Policy restricts trading up to 1 Round Trips in a rolling 60 Days. • Shareholders violating the policy by having more than 1 Round Trips in a 60 Days period may be blocked from trading for a 90 Days period.
Undiscovered Managers Behavioral Val R6 - UBVFX	1.07%	1.48%	\$14.80	
Service	Fee Item	Service Description	Annual Fee Amount ^a	How Fee is Allocated Among Participants ^a
Custodial Services	Custodial Fee	Investment custody and check writing to hold and protect plan assets.	.050% of Plan Assets	Pro Rata

pg. 5/10

For Financial Professional Use Only. Not For Public Distribution.

Financial Planning and Advisory Services offered through Vicus Capital, Inc., a federally Registered Investment Advisor.

EXISTING IRA

The most important document to obtain is the client's **most recent quarter-end statement**. It is important to pull the most recent account statement that provides billing information, which is typically quarterly, but could also be a different frequency.

Analysis of Fees

What you will need:

1. **Most recent Client Account Statement**
2. **Access to Morningstar.com or the appropriate Fund Company's website(s)**
3. **Current Prospectus or appropriate Fund Company website, if making continuing deposits into Class A Shares**

To Calculate the Fees

1. Identify all funds the client is invested in via their statement.
2. Identify the expense ratios for each of those funds through (morningstar.com) and go to: Price > Ongoing Fee Level > Adjusted Expense Ratio. You can also use the appropriate Fund Company website.
3. Calculate the weighted or blended average expense ratios.
 - **Blended/Weighted Expense Ratio:** Calculate the average expense ratio charged to the client from the fund companies.
4. Identify if any up-front sales charges are charged to the client for ongoing deposits. If so, calculate an approximate percentage of assets based on annual deposits listed on the form.
 - **Sales Charge:** The Prospectus or the Product Sponsor Website will display the upfront sales charge for Class A Shares at various account levels or breakpoints.
 - **Alternative:** Can list sales charge in Decision Optimizer as Estimated One-Time Charges and enter the fund expense ratio under recurring all-in costs.
5. Review the account statement for any other expenses paid by participants or the client.
 - **Investment Management Fee:** The most recent Quarter-End Statement will specify any investment management or program fees charged.
 - **Other Fees:** The most recent Quarter-End Statement will typically indicate any other recurring fee(s) or trading charges.
 - **Advisor Fee:** The most recent Quarter-End Statement will typically disclose any advisory fee.
6. Enter results under Old IRA as estimated recurring all-in costs.

EXISTING IRA

EXAMPLE

Your client has a commission-based IRA account with American Funds worth \$100,000. They are currently contributing \$500/month into their single fund holding, **American Funds New Perspective A (ANWPX)**.

- Identify the funds the client is invested in per their statement: **ANWPX**
- Identify the expense ratios for each of the funds (See screenshot below):
 - **= 0.76% from Morningstar**
- Calculate the weighted or blended average of the expense ratios:
 - **= 0.76%**
- Identify any up-front sales charge(s) paid by the client for ongoing deposits. Calculated as follows:
 - **\$500 per month * 12 months = \$6,000 per year**
 - **\$6,000 * 3.5% (0.035) (sales load from Prospectus for \$100,000 account balance) = \$210 per year**
 - **\$210 / \$100,000 (ending account balance from statement) * 100 = 0.21%**
- Look for other expenses paid by participants in their account statement:
 - **None in this case**
- Enter results into the software as follows:

ALTERNATIVE METHOD

Old IRA

Estimated annual recurring all-in-costs	Estimated one-time charges (eg., commissions, surrender charges)
0.76 % \$760.00	3.50 % \$3,500.00 ☐ None

EXACT METHOD

Old IRA

Estimated annual recurring all-in-costs	Estimated one-time charges (eg., commissions, surrender charges)
0.97 % \$970.00	☐ % ☒ None

EXAMPLE STATEMENT

Investment Amount and Account Value	Sales Charge
Less than \$25,000	5.75%
\$25,000 to \$49,999	5.00
\$50,000 to \$99,999	4.50
\$100,000 to \$249,999	3.50

EXAMPLE FROM MORNINGSTAR.COM

American Funds New Perspective A ANI

Analyst rating as of Sep 9, 2020

Quote Fund Analysis Performance Risk Price Portfolio People Parent

Price

Maximum Sales Fees

Front Load ▼
5.75%

Redemption Load

Deferred Load
—

Min. Initial Investment
250.00

Ongoing Fee Level ⓘ

Net Expense Ratio

1 Fund
0.760

1 World Large Stock Front Load
1.170

As of Jun 30, 2021

pg. 7/10

For Financial Professional Use Only. Not For Public Distribution.

Financial Planning and Advisory Services offered through Vicus Capital, Inc., a federally Registered Investment Advisor.

PROPOSED IRA

For the proposed IRA, there are three (3) categories of fees: **Blended/Weighted expense ratio, investment management fee, and advisor fee.** The Vicus Capital Advisor Engagement team remains available to assist you with any calculations should you need assistance with fee charges related to Vicus Capital accounts.

Analysis of Fees

What you will need:

1. **Vicus Capital Model Expense Ratio Tool**
2. **Vicus Capital Quick Reference Strategy Guide**
3. **Vicus Capital Fee Appendix or ISP**

To Calculate the Fees

1. Identify the Managed Account program and accompanying fee schedule.
2. Blended/Weighted Expense Ratios are typically determined by the client's risk tolerance category and selected portfolio. Once these are determined you can locate the fee.
3. Determine how much you, the advisor, will charge the client.
4. Enter total of all fees into the software under New IRA

- **Continuing Sales Charge:** Enter 0% or N/A as advisory accounts do not have sales charges.
- **Blended/Weighted Expense Ratio:** For Vicus Managed accounts, these can be found in the Advisor Portal using the Model Expense Ratio Tool. For other managed accounts, please work with the appropriate money manager to determine.
- **Investment Management Fee*:** For Vicus Managed accounts, it can be found on the respective Vicus Capital Strategy Fee Appendix, on the Investment Strategy Plan and Fee Disclosure (ISP), or in the "Vicus Capital Quick Reference Strategy Guide."

*Please Note: To calculate the appropriate Investment Management Fee, Vicus Capital householding breakpoints will need to be taken into consideration. Please contact the Advisor Engagement team if you need assistance

- **Other Fees:** This section would include any trading costs associated with the advisory account or Separately Managed Account fees. Confirm with the money manager if there are any such trading charges.
- **Advisor Fee:** Enter the fee that you are charging the client. This is listed in the Vicus Capital Strategy Fee Appendix or ISP.

PROPOSED IRA

EXAMPLE

You recommend that the Client open a \$100,000 American Funds Focused Strategy (AFFS), Moderate 50/50, IRA and you plan to charge a 1% advisory fee. (See screenshot below)

- Identify the strategy or program you are using and locate the resulting fee: **0.45% (for AFFS)**
- Determine the risk category and selected portfolio. Then, locate the resulting blended/weighted expense ratio (See screenshot below):
 - 0.34% (for AFFS, Moderate 50/50 portfolio)**
- Determine how much you, the advisor, will charge the client:
 - 1.00% (based on your fee schedule)**
- Enter all three fees together and enter into the software as follows:

New IRA

Estimated annual recurring all-in-costs
1.79 % \$1,790.00

Estimated one-time charges (eg., commissions, surrender charges)

% ☒ None

EXCERPT FROM FEE APPENDIX

IAR Fee	Vicus Capital Investment Management Fee
(%)	First \$250,000: 0.45%*
	Next \$250,000: 0.40%
	Next \$500,000: 0.35%
	Next \$1,000,000: 0.25%
	Next \$2,000,000: 0.20%
	Over \$4,000,000: 0.10%

MODEL EXPENSE RATIO TOOL

Model Expense Ratio Tools

Please note that Fusion Managed Platform and Private Client Strategy™ Accounts will have customized expense ratios. Please contact the Advisor Engagement Team at et@vicuscapital.com for more information.

Search by Model Name

Search by Model Name Search by Model Internal Expense Compare by Strategy

Program	Model Expense Ratio (BPS)
Vicus Capital / American Funds Focused Strategies	34
Moderate 50/50	

EXCERPT FROM FEE APPENDIX

Asset Level	Annual Fee
*First \$250,000	0.45%
Next \$250,000	0.40%
Next \$500,000	0.35%
Next \$1,000,000	0.25%
Next \$2,000,000	0.20%
Over \$4,000,000	0.10%

QUICK REFERENCE STRATEGY GUIDE



Diversified / Risk-Based Models
Small Account Values
Tax Management

business to advisory managed accounts when the client wants to invest 100% in American Funds®
• Share class conversions can help reduce tax impact of transitions if the client owns funds held in the model
• Independent due diligence and portfolio construction to optimize asset class diversification while allowing portfolios to shift over time based on research and ideas from American Funds

American Funds Focused Strategies
• Popular choice for converting directly-held mutual fund business to advisory managed accounts
• Share class conversions can help reduce tax impact of transitions if the client owns funds held in the model
• Maintains a majority allocation to American Funds while combining mutual funds and ETFs from other managers for risk-adjusted success

Capital Group Dedicated ETF Strategies
• ETF option when the client only wants to invest

Minimum Account Fee: \$165
First \$250,000: 0.45%
Next \$250,000: 0.40%
Next \$500,000: 0.35%
Next \$1,000,000: 0.25%
Next \$2,000,000: 0.20%
Over \$4,000,000: 0.10%

pg. 9/10

For Financial Professional Use Only. Not For Public Distribution.

Financial Planning and Advisory Services offered through Vicus Capital, Inc., a federally Registered Investment Advisor.

BRINGING IT ALL TOGETHER

EXAMPLE

Multiple Account Transfers to One IRA:

Often, clients will have accounts with multiple advisors and/or companies and you are recommending that they combine them into one managed account. In that case, an analysis needs to be completed for each account that is moving over. To save time, please follow these steps:

1. Create a new analysis for the first account
2. Once the report has been generated, and an analysis ID assigned, click Copy Report
3. Give the copied report a new name based on the next account and click Save
4. Find the copied analysis report and click Edit
5. Select the correct Decision Framework for this account
6. Move through the software entering or updating information as needed

QUESTION

What if the client doesn't provide the requested documents?

Where a prospect or client is unable or unwilling to provide the requested information, even after the advisor explains its necessity for a proper analysis and that the lack of information could result in an incorrect recommendation, the DOL does allow an alternative procedure.

The advisor may make a reasonable estimate of expenses based on typical fees and expenses for the type and size of account at issue.

In those circumstances, the DOL says that the assumptions used should be explained to the prospect or client.

Please contact your Vicus Capital Compliance team or Advisor Engagement team for additional questions or assistance in completing the Fee Comparison Section of the Decision Optimizer Report.

Vicus Capital Compliance Team
compliance@vicuscapital.com

Vicus Capital Advisor Engagement Team
advisorengagement@vicuscapital.com
