FEE ADVISORS NETWORK

Connecting Stewardship Principles with Fiduciary Process

Understanding the Fee-Engagement Relationship for Risk Management Consultation

Definition of Risk Management:

1) To ascertain exposure of potential loss to assets, hard or soft, including that of human value; financial, emotional, mental, and philosophical;
2) To analyze impact of loss due to risk exposure;
3) To recommend options to protect against such loss; to manage the risk within the framework of the client's objectives and the team of advisors involved so as to negate or reduce the impact of loss;
4) To use insurance as a leveraged avenue of protection against identified risk when it is substantiated to be the best solution.

This venue has been created to appeal to the discriminating consumer who prefers to have guidance that provides:

- An unbiased attitude toward solutions and product recommendations.
- A stewardship standard that integrates prudent principles and fiduciary process to . . .
  - ✓ Put the client's best interest first and foremost
  - ✓ Act with prudence
  - ✓ Provide full and fair disclosure of all material facts
  - ✓ Avoid conflicts whenever possible
  - ✓ Manage unavoidable conflicts for the benefit of the client
- Full disclosure so that all components of recommended resolutions can be discussed.
- Educational format so that the best decisions can be made.
- Complete confidence in the action selected.

All of the above is provided within the universe of the LIFE⇨180° process, developed after years of research and experience in providing fiduciary driven insurance analytical and consulting work to Independent RIA's, Wealth Management firms, and Fee-Only Advisors. This comprehensive methodology incorporates a new paradigm of risk management analysis and the use of life insurance and annuities, including: policy style, premium design, strategy integration, facilitation and monitoring.

Each project is divided into two distinctive areas of engagement. The first phase represents the analysis and design component; the second phase represents the facilitation or implementation activity. Each case is deemed to be a "project" and the associated fees are determined on the scope of that particular project.

Phase I Fee:

This fee is generally stated as a flat-fee and is based on the amount of hours and level of expertise that is required. On occasion, a Retainer Fee may be offered as an option. This option generally comes into discussion when a project is fairly massive in its scope so that a determination of time involvement is difficult. The initial amount of the retainer is established before the work begins, and the client is billed for the amount of excess time involvement not covered by the retainer amount. If, at the time of project completion, there is a balance left of the retainer, that balance is refunded to the client. This rarely happens. Historically, over 90% of clients have preferred the flat-fee approach.

The completion of **Phase I** is once the analysis/conclusions have been presented.

The sequence of activity for **Phase I** is described in the 'Activity Sequence Checklist' form.

Fiduciary process requires that where there has been an analysis completed, with recommendations, that the project move forward with facilitation or implementation. The client always has the right to engage any third party for this activity. However, over 95% of clients having experienced the **Phase I** activity engage our services for the **Phase II** activity.

Phase II Fee:

This fee is stated as a flat-fee and is based on the following:

- Amount of *facilitation*[1] activity
- Amount of *implementation*[2] activity
- Time requirement
- Design application
- Creative application
- Underwriting process
- *Value-added economics*[3]

[1] *Facilitation:* This would apply to the need for adjustments of existing policies so that they are in line with current objectives.

[2] *Implementation:* This would apply to the creation of a new policy; either in addition to existing policies, replacement of existing policies, or design application for newly acquired risk exposure (i.e., business planning, estate planning).

[3] *Value-Added Economics:* The economical benefits obtained via cost reduction, premium savings, strategic placement of capital, leveraging, increased coverage through cost efficiencies, increased cash value liquidity, and so on.
Example: A client considered the purchase of a policy that had no, or very little, cash value in the first 7 years of the contract. Our proposal provided the same risk coverage, while saving the client $15,000 in premium and providing $40,000 in more liquid cash value in the first year. This represents a $55,000 value-added economic benefit.

The sequence of activity for **Phase II** is described in the 'Activity Sequence Checklist' form.