

A Strong Majority of Brokers and Advisors Support and Understand Key Elements of the Fiduciary Standard

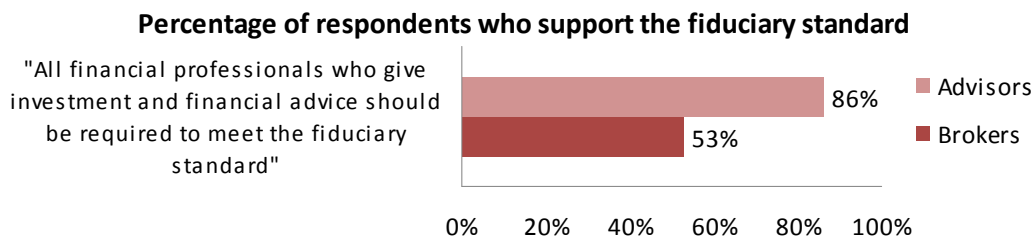
Survey Background – The SEI Advisor Network and The Committee for the Fiduciary Standard recently conducted a survey of financial advisors and brokers in the United States. The survey was completed by 890 RIAs, IARs and dually registered broker/advisors, in October and November 2009, with assets under management ranging from less than US \$50 million to more than US \$250 million. Respondents self-identified their compensation structures as the following: commission (132); commission-fee (510); and, fee-based and fee-only (242). These three categories translate into two groups: brokers (commission brokers and commission-fee brokers) and advisors (fee-based and fee-only).

The poll was conducted with the goal of determining the level of support and understanding of the fiduciary standard among financial advisors and brokers. While this issue is still in discussion in the industry and among legislators, the fiduciary standard entails a relationship of trust requiring due care, loyalty and utmost good faith.

Survey Sponsors – The SEI Advisor Network administered the survey and published the report. The Committee for the Fiduciary Standard provided technical input into the survey design and report analysis.

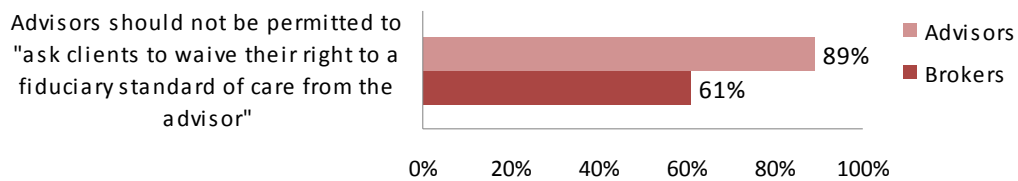
Section I – A Majority of Brokers Support the Fiduciary Standard

More than half (53 percent) of brokers believe that “all financial professionals who give investment and financial advice should be required to meet the fiduciary standard.” However, while the brokerage industry has historically been opposed to the standard, the survey indicates that a majority in the industry views the standard favorably. This opposition is well known, and recently evidenced by their opposition to eliminating the broker dealer exclusion. Additionally, of the brokers who responded to the survey, only 27 percent disagree that all professionals who give advice should be required to meet the fiduciary standard; and nearly one-fifth (19 percent) said they are undecided. Of the financial advisors (fee-based and fee only) who participated in the survey, the support for the standard is very strong as 86 percent agree, 10 percent disagree and only 3 percent are undecided.



In addition, respondents were asked if they believe “Advisors should not be permitted to ask clients to waive their right to a fiduciary standard of care from the advisor.” Poll results showed that brokers and advisors are against being allowed to have clients waive the standard. More than half (61 percent) of brokers believe they should not be allowed to ask their clients to waive the standard of care, and an overwhelming majority (89 percent) of advisors agree with that sentiment.

Percentage of respondents that believe they should not be allowed to ask their clients to waive the standard of care



Section II – Brokers and Advisors Show High Level of Common Understanding on Key Elements of the Fiduciary Standard

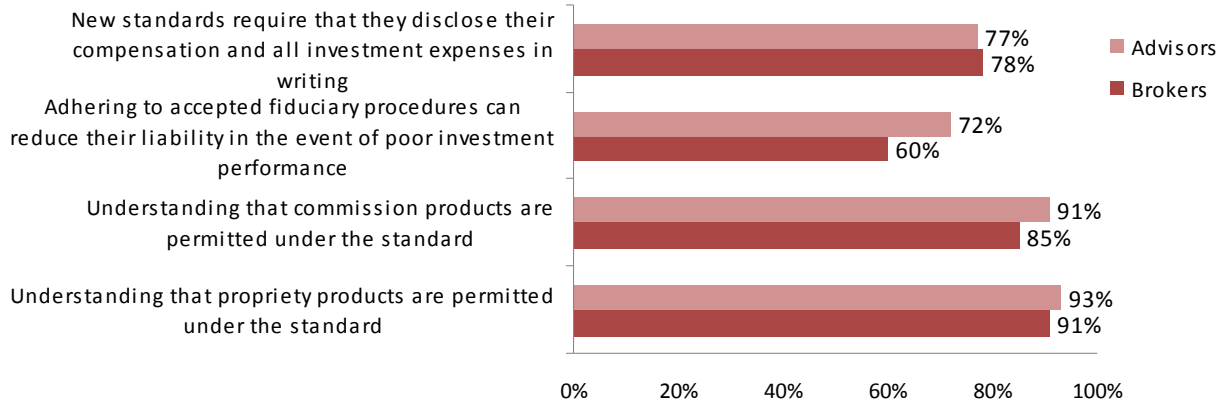
Among the two groups of poll participants – advisors and brokers – understanding remains equally high on key elements of the fiduciary standard. More than three-quarters (80 percent) of brokers said they understand the standard either “fairly well” or “very well.” Nearly all (98 percent) of the advisors surveyed said they understand the standard “fairly well” or “very well.”

In addition to overall understanding, the survey asked respondents to identify whether they understand specific details of the standard:

- That they must disclose their compensation and all investment expenses in writing;
- That accepting fiduciary procedures can reduce an advisors’ liability in the event of poor investment performance;
- That the fiduciary standard permits use of commission products; and,
- That proprietary products are permitted under the fiduciary standard.

On all four issues surveyed, understanding was very high among both groups (advisors and brokers). More than three-quarters of brokers (78 percent) and a nearly identical percentage of advisors (77 percent) said they understand that the standard requires that they disclose their compensation and all investment expenses in writing. Similarly, more than half (60 percent) of brokers and nearly three-quarters (72 percent) of advisors understand that adhering to accepted fiduciary procedures can reduce their liability in the event of poor investment performance. Most brokers (85 percent) and advisors (91 percent) understand that the standard permits commission products. And a overwhelming majority of brokers (91 percent) and advisors (93 percent) understand that proprietary products are permitted under the standard.

Percentage of advisors and brokers that report understanding fiduciary standard specifics



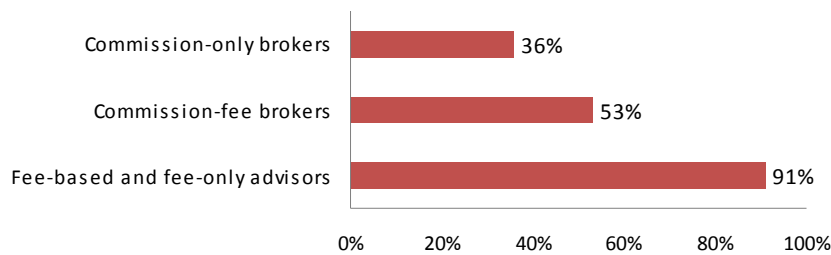
The results of the survey indicate that both brokers and advisors understand key elements of the fiduciary standard. While advisors and brokers have disagreed on these issues over the years, this report suggests they are largely in agreement over many aspects of the fiduciary standard.

Section III – Disparity on Some Key Issues Between Advisors and Brokers, and Among Brokers

While advisors and brokers polled in the survey agree on many key issues, disparities remain between their views on some topics. These issues include: whether modifications to the standard should be made to better fit brokers selling activities, whether switching to the suitability standard should be allowed when products are sold, and how investors view different compensation methods. Additionally, there is a split within the brokerage community – commission-only brokers versus commission-fee brokers – on these first two issues.

Modification of the Standard – The issue of modifying the standard illustrates the split between brokers and advisors. Advisors overwhelmingly (91 percent) do not believe the standard should be modified to better fit brokers selling activities. Of the commission-fee brokers who responded, a majority (53 percent) said they did not believe the standard should be modified.

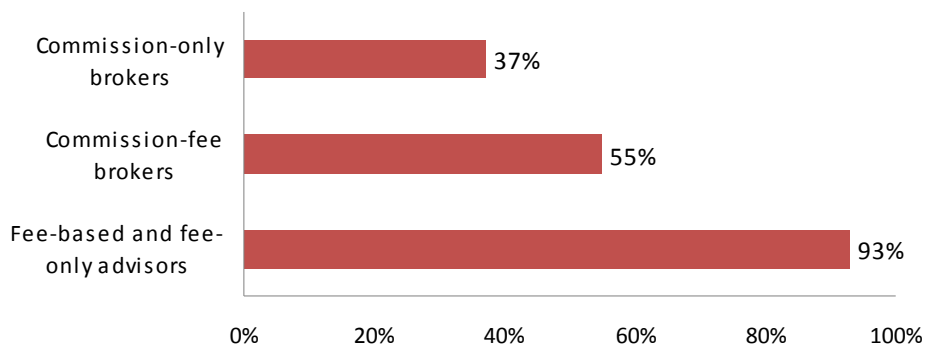
Percentage of respondents that do not believe the fiduciary standard should be modified to better fit brokers selling activities



Use of Suitability Standard in Certain Situations – An overwhelming majority of advisors and more than half of commission-fee brokers do not believe they should be allowed to meet a

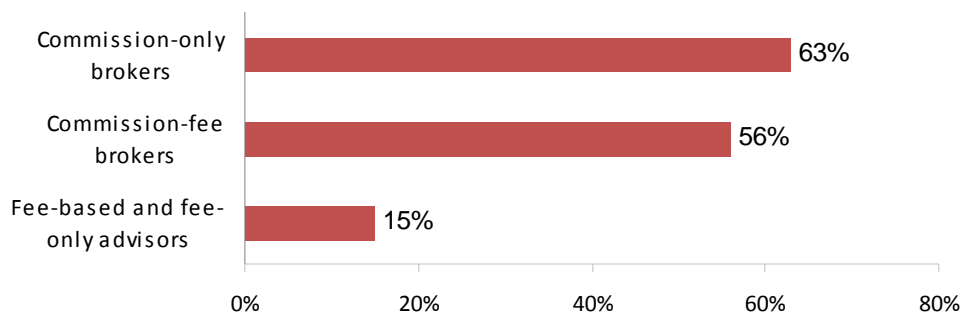
fiduciary standard in providing advice and then revert back to the suitability standard when selecting, recommending and selling investment products. However, commission-only brokers disagree:

Percentage of respondents who do not believe they should be allowed to meet a fiduciary standard in providing advice and then revert back to the suitability standard when selecting, recommending and selling investment products



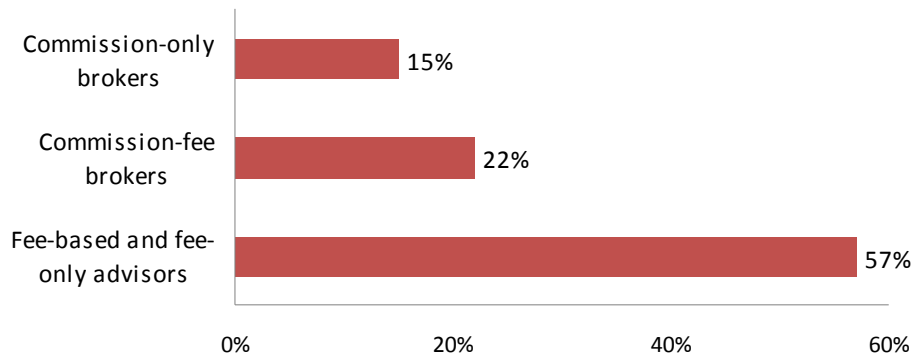
Compensation – According to the survey results, only 15 percent of advisors said they believe investors do not care how they are compensated. At the same time, a majority of commission-only brokers (63 percent) and commission-fee brokers (56 percent) believe that investors do not care how they are compensated.

Percentage of respondents that believe investors don't care how they are compensated



RIA Registration – Brokers do not believe that switching to an RIA registration is done because investors prefer advisors who are only compensated by client fees. However, advisors strongly disagree:

Percentage of respondents who do not believe switching to an RIA registration is done because investors prefer advisors who are only compensated by client fees



Conclusion – Support and Understanding among Brokers and Advisors of Fiduciary Standard is Prevalent

The results of this survey are particularly relevant today as practitioners and policymakers debate the need for legislative changes and new regulations. Clearly, this debate has been sparked by the many recent financial scandals. However, most of the reports and debates have focused on how far apart the two sides are – those against and those in favor – rather than if and how they agree.

This survey illustrates that the fiduciary standard is supported and widely understood by brokers and advisors alike. The results showed that a majority of brokers and advisors surveyed support the standard. Similarly, a majority of brokers and advisors believe they should not be allowed to ask their clients to waive the fiduciary standard of care. Additionally, while not all brokers and advisors agree on specific nuances of the fiduciary standard, both groups did show a very high level of understanding. With regards to compensation, liability and use of commission products and proprietary products, a majority of brokers and advisors reported understanding the details of each element.

As the debate continues in Washington and on Wall Street, the results of this survey offer factual evidence into what brokers and advisors think and know about the fiduciary standard, rather than simply relying on anecdotal assumptions.

Source Summary

All names selected were pulled from Discovery - The Financial Information Group Inc. Discovery is the industry standard database of financial intermediaries used by mutual fund companies, broker/dealer firms, fund administrators, insurance companies, trust companies and banks. The Discovery products allow users to select from the complete registered investment adviser universe, which currently consists of 28,000-plus firms; locate over 540,000 registered representatives; identify the entire broker/dealer community of 5,300 firms; access over 1.5 million insurance agents; and search all 8,000-plus trust companies and banks. These comprehensive databases enable users to create customized segments, conduct analytics, identify qualified prospects and increase their client base through profiling and segmentation. The segments selected by SEI utilize Discovery's RIA and Registered Representative databases.

About the SEI Advisor Network

The SEI Advisor Network provides financial advisors with turnkey wealth management services through outsourced investment strategies; administration and technology platforms; trust, banking, and institutional services; and practice management programs. It is through these services that SEI helps advisors save time, grow revenues, and differentiate themselves in the market. With a history of financial strength, stability, and transparency, the SEI Advisor Network has been serving the independent financial advisor market for more than 15 years. As of September 30, 2009, SEI works with more than 6,000 advisors and has over \$33 billion in advisors' assets under management. The SEI Advisor Network is a strategic business unit of SEI. For more information, contact Jerry Lezynski at 610-676-2038, jlezynski@seic.com, or please visit www.seic.com/advisors.

About The Committee for the Fiduciary Standard

The Committee for the Fiduciary Standard is a nonpartisan membership organization of more than 600 investment professionals whose mission is to preserve the authentic fiduciary standard in any legislation and rulemaking. For more information contact Knut A. Rostad at 703-821-6616 x429, kar@rjadvisors.com, or please visit www.thefiduciarystandard.org.

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