Finding the True Cost

of Insurance Company 401(k)s

Presented by: David Wade, APM, ChFC, CLU, CIMC, AIF President & CEO, 401kDIRECT



Agenda

- 1. Know the market why should we care about Insurance Company Group Annuity Contracts (GACs)?
- 2. Show how an insurance GAC works
- 3. Learn how to detect the real cost of a GAC
- 4. Show how to present your findings to a client
- 5. End with Q & A

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Know the market

- 97% of plans are under \$10 million in assets
- Insurance companies have 75% market share of plans that are less than 3 million



Who sells the majority of these plans?

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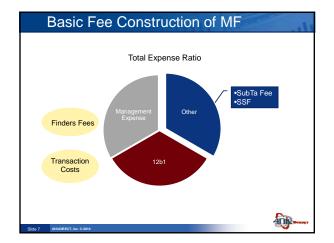














	Why M	ultiple Sl	hare C	lasses?	and the second second	. I
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	S	ample Mutua	al Fund Sh	nare Classe	s	
	Share Class	Management Fee	12b1	Other	Total	
	R1	.42	1.0	.10	1.52	
	R2	.42	.75	.44	1.61	
	R3	.42	.50	.13	1.05	
	R4	.42	.25	.09	.76	
	R5	.42	0	.06	.48	
	R6	.42	0	0	.42	
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Insurance Contract Number	(1) Fund Expense Ratio/ NAV%	(2) AMC%	(3) Sales and Service Fee%	(4) Expense Ratio/ Unit Value Factor%
1	.26	.50	Varies	.76
2	.26	.50	.05	.81
3	.26	.50	.10	.86
4	.26	.50	.15	.91
5	.26	.50	.25	1.01
6	.26	.50	.37	1.13
7	.26	.50	.50	1.26
8	.26	.50	.75	1.51
9	.26	.50	1.0	1.76
 AMC - Admini Sales and Ser 	are Class26%	Varied expense v		A, Fixed only shown



Mutual Fund Conversion to GAC Step II

nsurance Contract Number	⁽¹⁾ Total Fund Expense Ratio	⁽²⁾ Base Charge%	(3) Participant Fee %	(4) Total GAC*	Broker Comp %
1	.76	.60	1.0	2.36	0
2	.81	.60	1.0	2.41	.05
3	.86	.60	1.0	2.46	.10
4	.91	.60	1.0	2.51	.15
5	1.01	.60	1.0	2.61	.25
6	1.13	.60	1.0	2.73	.37
7	1.26	.60	1.0	2.86	.50
8	1.51	.60	1.0	3.11	.75
9	1.76	.60	1.0	3.36	1.0
 Base annua – asset cha Participant Total cost for 	Pense Ince Company Fund Alized asset charge fr rge starts at .60% ar Fee \$40.00 for partic or GAC = Total Fund participant fee will si	or plans with les nd waived after \$ pant annual con Expense Ratio	s than \$10,000 av 2 million in asset ntribution less tha + Base Charge +	verage participant s n \$5,000	

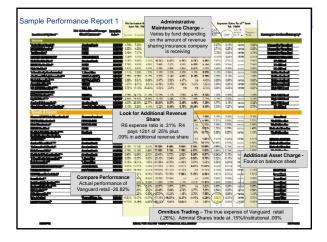
Mutual Fund Conversion to GAC -Notes

- Additional fees may be added before MF is unitized
- NAV no longer exists
- Fund values unitized daily can go up or down
- Omnibus trading
- Multiple contracts with varying expenses

Documents to determine fees

- Original Recordkeeping Agreement
- Performance Report
- Balance Sheet
- Corporate Report to Participant with charges
- ▶ 5500 Schedule A
- Footnotes pages

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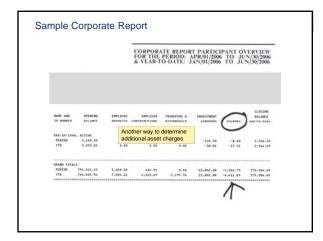


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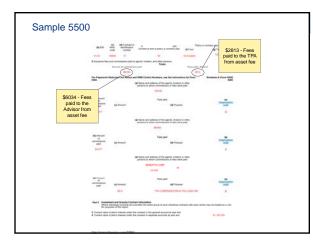


Sample Balance Sheet	ME/32/2445	MC/3L/2005	
TOTAL VALUE OF POCKED ACCOUNTS:	847,789.41	1.142.134.47	
TOTAL VALUE OF BUARANTEED ACCOUNTS:			
TOTAL VALUE OF LOW SECURITY ACCOUNTS:	24,435.84	528.10	
Mile Assets			
ZHCOHE STATEMENT			
1. TOTAL ENVLOYER CONTRENUTIONS		142,422.48	
2. TOTAL ENVLOYEE CONTREMUTIONS		111,548.44	
3. TOTAL FORFEITURE HE-ALLOCATIONS		0.00	
4. TOTAL TRANSFER OF ASSETS FROM PRIVIDUS CARELEXIS) 5. TOTAL TRANSFER LOADS OCCURINATING FROM PREVIDUS CARELEXIS)		4.44	
4. TOTAL INTEREST EARNED ON QUARANTEED ACCOUNTS			
7. TOTAL DUTINEST CAMPED IN LANS ADDRESS			
*. RARET VALUE ADAUSTRA \$8,846.99 OF .86%		718.42	
Asset charge for contract/		12,144.53	
accur participant level fee or TPA fee - above and beyond annuitized fee	\sim	-25,135.29	
11. DELMED RESTREMATION C. COMM			
12. CONTREME TON OF CONTREME TON		1.11	
13. TOTAL CONTRACT ADMINISTRATION FEES		-1,84.19	
15. TOTAL RECEIPTION FEES		1.44	
ACCRIME BASES	PROPUETO	-1.47 IN 2470(2): JAK/06/2006	









Summary for Determining Fees

- Ask for all documentation from the client
 - Performance Reports
 - Balance Sheet
 - Corporate Report to Participants
 - 5500 Schedule A
 - Footnotes
 - Original Recordkeeping Agreement
- Look for fund unit value and determine retail fund share class/revenue sharing available
- Determine additional asset charges from balance sheet/corporate report



Preparing for a Winning Presentation

- Starts with fact finding
- Find out what's in it for them
- Find out the hot buttons
- Find out how you are going to make their life better

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Presenting a Winning Fee Analysis

- Client doesn't care how much you know until they know how much you care
- Take the complex and make it simple
- Talk benefits not features make it personal
- Differentiate yourself as a consultant by showing multiple options with full fee disclosure
 - Show Existing Plan include all fees
 - Option A Apples to Apples use exact same funds
 - Option B Better better fund selection
- Show win win for company, plan and participants

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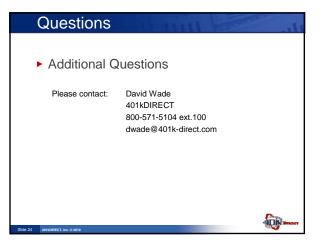


Conclusion

Gather all facts including documentation

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- Show client what's in it for them
- Present benefits not features
- Ask for the business



Sample Fee Analysis \$400,000	Insurance Plan	Open Architecture
Advisor Fee Deducted From Assets (1%)	Insurance Plan S0	Open Architecture \$4.000
Administration Cost TPA	\$3.420	\$3,420
RecordKeeping fee paid from assets	N/A	\$2,500
Investment Advice	No	Yes
Fiduciary Monitoring	No	Yes
Risk Management System	No	Yes
Fiduciary Compliance System	No	Yes
Total Expense Ratio Deducted From Assets		
Insurance Fund Expense Ratio of 1.76%	\$7,040	64 040
Open Architecture Fund Expense Ratio of .26% Micro Plan Fees		\$1,040
Micro Plan Fees Base Charge (.50%)	\$2.000	
Participant Fee	\$2,000 \$3,200	
Custody/Trading Expense From Assets	\$3,200 N/A	Included in RK Fee
Total Annual Fees Paid to Providers	\$15,660	\$10,960
Net 1st Year Payment to Providers	\$15,660	\$10,960
As Percentage of Assets	3.92%	2.74%
Savings in Year 1	\$0	\$4,700
Notes: Plan assets: \$400,000 Participants: 80 Annual Deposits: 5 <u>Existing insurance Plan</u> : Base Annualized Asset Charge of .50% for Micro Plan Under S Participant Fes: Annual Contribution Under S,5000 -\$40 per F Open Architecturg: Use same investments & setup plan fund Estimated TPA Fee. Actual fee to be determined by TPA	2 million in assets articipant (80x40) = \$3,200	ent Advisor services.



	Evhibit D		1	
	Exhibit B			il.
	Sample Fee Analysis \$4,000,00	0		
		Insurance Plan	Open Architecture	
	Advisor Fee Deducted From Assets (1%)	\$0	\$40,000	
	Administration Cost TPA	\$3,420 N/A	\$3,420	
	RecordKeeping fee paid from assets Investment Advice	N/A No	\$12,600 Yes	
	Fiduciary Monitoring	NO	Yes	
	Risk Management System	No	Yes	
	Fiduciary Compliance System	No	Yes	
	Total Expense Ratio Deducted From Assets			
	Insurance Fund Expense Ratio of 1.76%	\$70.400		
	Open Architecture Fund Expense Ratio of .15%		\$6.000	
	Micro Plan Fees			
	Base Charge (.50%)	Waived		
	Participant Fee	Waived		
	Custody/Trading Expense From Assets	N/A	Included in RK Fee	
	Total Annual Fees Paid to Providers	\$73,820	\$62,020	
	Net 1st Year Payment to Providers	\$73.820	\$62.020	
	As Percentage of Assets	1.85%	1.55%	
	Savings in Year 1	\$0	\$11,800	
				_
	Notes: Plan assets: \$4.000.000 Participants: 80 Annual Depo	cito: \$400.000 Eurodo: All	Manayord	
	Existing Insurance Plan:	ISILS. 3400,000 Fullus. All	valiguaru	
	Micro Plan Fees Waived			
	Open Architecture: Use same investments but Admiral S	Share Class (.15%) & setup	plan funds at a Trust company with	
	Investment Advisor services.			
	*Estimated TPA Fee. Actual fee to be determined by TPA			
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