

Princeton Survey Research Associates International – Fiduciary Standard Survey

Overview

This research study surveyed a random sample of active financial planners drawn from the three databases of the Financial Planning Coalition partners. An online bulletin board was created to gather qualitative data to inform the creation of the survey questionnaire. The questionnaire was designed to gather data concerning the impact of delivery of financial services under a fiduciary standard, focusing on financial planners who have delivered financial services under both the fiduciary and suitability standards. More specifically, the questionnaire gathered data concerning whether there was a change (positive or negative) in the ability to serve middle-class clients; client trust and satisfaction; total revenue and share of client assets; and costs and fees to clients.

Research Design

- Online survey of 1,852 financial professionals, recruited from CFP Board, FPA, and NAPFA
- Included in the sample of 1,852 financial professionals were:
 - 1,141 CFP® professionals, 426 FPA members, and 285 NAPFA members
 - 28% were registered representatives of a BD; 29% were associated persons with an RIA; and 26% were dually registered
 - 45% reported as “fee-only” and 47% reported as “fee and commission”
- Interviewing was conducted from December 3, 2013 to February 3, 2014

Summary of Findings

Total Population

- 87% of respondents believe that a fiduciary standard of care is “appropriate for all financial service providers who deliver personalized investment advice to retail investors”
- 88% believe that extending a fiduciary duty to BDs will increase disclosure
- 75% believe that extending a fiduciary duty to BDs would better align investor and consumer interests
- 67% believe that extending a fiduciary duty to BDs would have a positive impact on investors

Population of financial professionals who have switched from a suitability standard to a fiduciary standard of care or operate under both:

- 80% reported an increase or no change in range of services under a fiduciary standard of care
- 69% reported an increase or no change in range of products under a fiduciary standard of care

- 72% reported an increase or no change in clients served under a fiduciary standard of care
 - 88% reported increase or no change in clients with \$100,000 - \$999,999 AUM
 - 59% reported increase or no change in clients less than \$100,000 AUM
- 54% reported an increase in compliance costs when switching from brokerage to advisory model; but two-thirds of that group (66%) report the increased costs were not passed on to clients
- 57% reported a decrease or no change in costs and fees to clients when practicing under a fiduciary standard of care

Population of financial professionals who have switched from a suitability standard to a fiduciary standard of care:

- 78% reported increase or no change in the number of clients served
 - 92% reported increase or no change in the number of clients \$100,000 - \$999,999 AUM
 - 64% reported increase or no change in the number of clients less than \$100,000 AUM
- 76% reported total revenue and AUM increased
- Less than half (47%) reported an increase in compliance costs when switching from brokerage to advisory model; however, 81% of the group report increased costs were not passed on to clients
- Only 22% reported an increase in costs and fees to client when practicing under a fiduciary standard of care, while 40% reported a decrease

Fiduciary Standard Survey

Draft Report

A Summary of Key Findings

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Prepared for:

The Financial Planning Coalition:

Certified Financial Planner Board of Standards, Inc.

The Financial Planning Association

The National Association of Personal Financial Advisors

Prepared by:

Princeton Survey Research Associates International

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INTRODUCTION

The Securities and Exchange Commission (SEC) released a Request for Information as the Commission considers whether to initiate a rulemaking to adopt a uniform fiduciary standard of conduct for broker-dealers and investment advisers when they provide personalized investment advice about securities to retail customers. When recommending securities, a broker-dealer owes a duty of suitability, which is a duty to ensure that an investment recommendation or strategy is suitable for the particular individual at that particular time. In contrast, an investment adviser owes a fiduciary duty to act in an investor's best interest, which includes a duty to avoid, or at least disclose, material conflicts of interest.

The SEC asked for data and analyses of the cost and benefits that could result from alternative approaches regarding standards of conduct of broker-dealers and investment advisers.

The Financial Planning Coalition – consisting of the Certified Financial Planner Board of Standards, Inc. (CFP Board), the Financial Planning Association (FPA), and the National Association of Personal Financial Advisors (NAPFA) – commissioned a survey of financial professionals who are members and or stakeholders in each of the three participating organizations to study issues related to the fiduciary standard. Financial professionals were asked a variety of questions gauging their opinions of current SEC regulations and proposed changes in the regulations, as well as their own experiences providing services under a fiduciary standard of care.

KEY FINDINGS

Here are some key attitudes and experiences among all financial professionals surveyed.

- Financial professionals overwhelmingly agree that “a fiduciary standard of care is appropriate for all financial professionals who deliver personalized investment advice to retail investors.” Almost nine in ten respondents agree with that statement, and more than two-thirds strongly agree.
- Consumers are not adequately protected under current SEC regulations for broker-dealers and investment advisers, many say. Forty-five percent of financial professionals surveyed say consumers are **not** adequately protected, while 36 percent say consumers are adequately protected. Nearly one in five did not offer an opinion.
- Financial professionals view current SEC regulations for broker-dealers and investment advisers differently. A majority (56%) say the regulations are appropriate for investment advisers, while fewer than three in ten (28%) say they are appropriate for broker-dealers.
- Three-quarters of those surveyed have heard or read about SEC consideration of a rule that would extend the fiduciary standard of care to broker-dealers who deliver personalized investment advice to retail investors.
- Two-thirds believe that a change to extend the fiduciary standard of care to broker-dealers would have a positive impact on investors.
- Respondents are less positive about the effect of a new rule on financial services firms. Forty-five percent of respondents say an extension of the fiduciary standard of care will have a negative impact on financial service firms, while thirty-four percent say it will have a positive impact.
- A strong majority of all respondents believe that, if the SEC extended the fiduciary standard of care, the change would increase disclosure to clients regarding potential conflicts of interest (88%), better align advisor and investor interests (75%) and help enhance investors’ trust in financial services firms (64%).
- A strong majority of all respondents say if the SEC extended the fiduciary standard of care it would increase compliance and insurance costs (87%) and increase the cost of providing financial planning advice to investors (71%); however, as discussed below, this belief is in stark contrast to the actual experience of financial professionals who have switched from a suitability standard to a fiduciary standard of care or operate under both.

Of special interest to this study are two specific groups of financial professionals: those that have switched to a fiduciary standard of care and those that operate under both a fiduciary and suitability standard.

- Among those who have switched to a fiduciary standard of care or practice under both a fiduciary and suitability standard, majorities say several client benefits have been achieved. Majorities say it has increased client trust (55%), time they spend with clients (54%), use of comprehensive financial planning services (51%), and client satisfaction (50%). Those financial professionals who have switched to a fiduciary standard of care

report even stronger client benefits, with 71% reporting an increase in client trust and 72% reporting an increase in client satisfaction.

- Among those who have switched to a fiduciary standard of care or practice under both a fiduciary and suitability standard, a strong majority report an increase or no change in range of services offered (80%) and an increase or no change in range of products offered (69%) under a fiduciary standard of care.
- Seven in ten respondents (72%) who have switched to a fiduciary standard of care or practice under both standards report an increase or no change in the number of clients served under a fiduciary standard of care.
- Looking at the business impact, a majority of those who have switched or practice under both standards, say time spent on compliance issues increased (57%) and compliance costs increased (54%). However, a majority of these respondents reported that the increased compliance or insurance costs were not passed on to clients (66%).
- A majority of those professionals who have switched from a suitability standard to a fiduciary standard of care reported that their total revenue increased (76%) and their AUM increased (76%)

About the Survey

The survey, conducted by Princeton Survey Research Associates International, is based on online interviews with a sample of 1,852 members or stakeholders from each of the three organizations comprising the Financial Planning Coalition, as indicated in Table 1 below.

Table 1: Sample Sizes	
	Total n's
Certified Financial Planner Board of Standards	1,141
Financial Planning Association	426
National Association of Personal Financial Advisors	285
TOTAL	1,852

Interviewing was conducted online from December 3, 2013 - February 3, 2014. Weights were applied to adjust for the varying size of the participating organizations.

The margin of sampling error for results based on total sample at the 95 percent level of confidence is plus or minus 2.5 percentage points. Margin of error for results based on sub-groups will be larger. Question wording and the practical difficulties in conducting surveys can also introduce error in survey estimates. A full description of the survey methodology and a questionnaire annotated with the survey results are included in the appendix.

Survey Participants

The survey covered a broad range of those working in the financial services industry. A majority of respondents say they work for a registered investment adviser (RIA) or for broker-dealer (B-D). Fewer report working for an insurance company or bank (see Table 2).

Table 2: Type of Firm Worked For	
Total RIA	43%
RIA – Independently or Privately owned	38%
RIA – Wirehouse/Large Broker-Dealer	4%
RIA – Bank or Trust Company Affiliated	1%
Total B-D	34%
B-D – Independently or Privately owned	17%
B-D – Wirehouse/Large Broker-Dealer	15%
B-D – Bank or Trust Company Affiliated	2%
Insurance Company	6%
Bank, Bank Trust Department, or Trust Company	5%

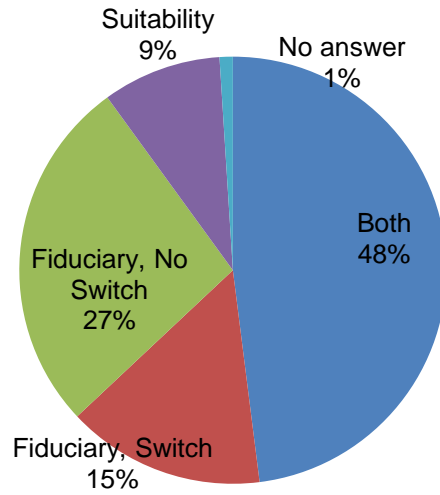
There is a fairly uniform split across various types of licenses or registrations that respondents hold. About one-quarter say their current license or registration is an associated person with Registered Investment Adviser (29%), or a registered representative of broker-dealer (28%), or dually registered investment adviser-broker dealer (26%). Far fewer say they are a bank or trust officer (4%), or a financial service provider holding no license or registration (4%).

Four in five respondents say they provide financial services to retail clients. Of those providing these services to retail clients, 45 percent report they have 20 years or more experience, 35 percent say they have ten to 19 years, and 20 percent have less than ten years of experience providing services.

Respondents report that their clients typically pay for services rendered through fees (45%) or from both commissions and fees (47%). Few report commissions only (5%). Most (72%) report commission-based products provided 30 percent or less of their practice's revenue or production in the last 12 months, including 36 percent who say none of their practice's revenue came from commission-based products.

Nearly one-half of respondents (48%) say they operate under both a fiduciary standard and a suitability standard (see Chart 1). Overall, 42 percent say they practice exclusively under a fiduciary standard. That includes 15 percent who are currently providing financial services under a fiduciary standard of care and have switched from a brokerage-based business model to an advisory based business model either as a result of the FPA decision or at some other point in their career. The remaining 27 percent who operate under a fiduciary standard of care and have not switched business models. One in ten respondents practice under a suitability standard.

**Chart 1: One-Half Practice under Both
Fiduciary and Suitability Standard**



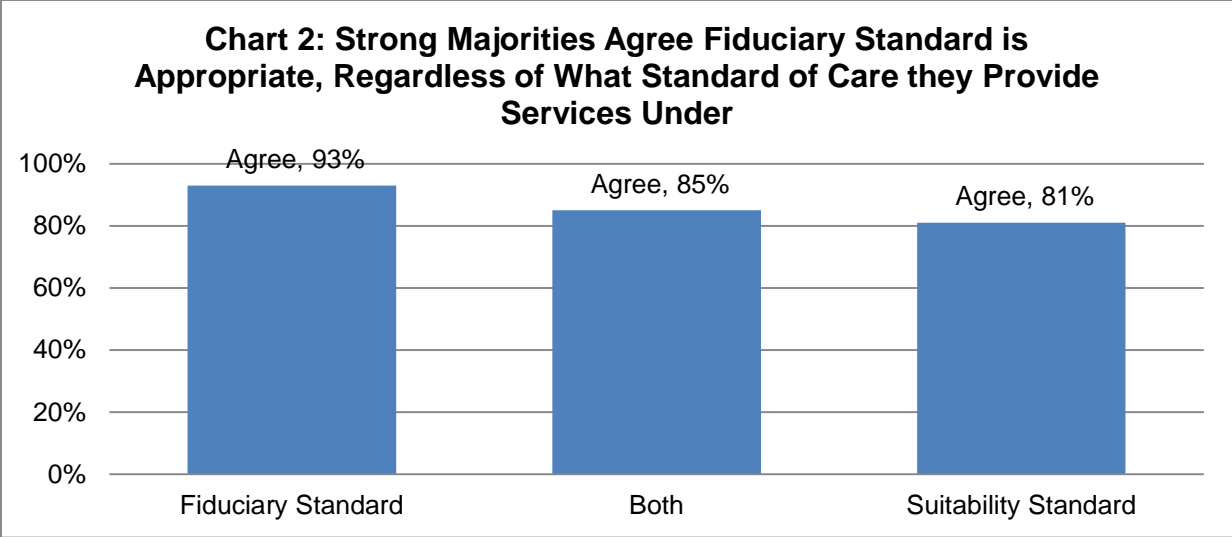
FIDUCIARY STANDARD OF CARE

Financial professionals strongly agree that a fiduciary standard of care is “appropriate for all financial service providers who deliver personalized investment advice to retail investors.”

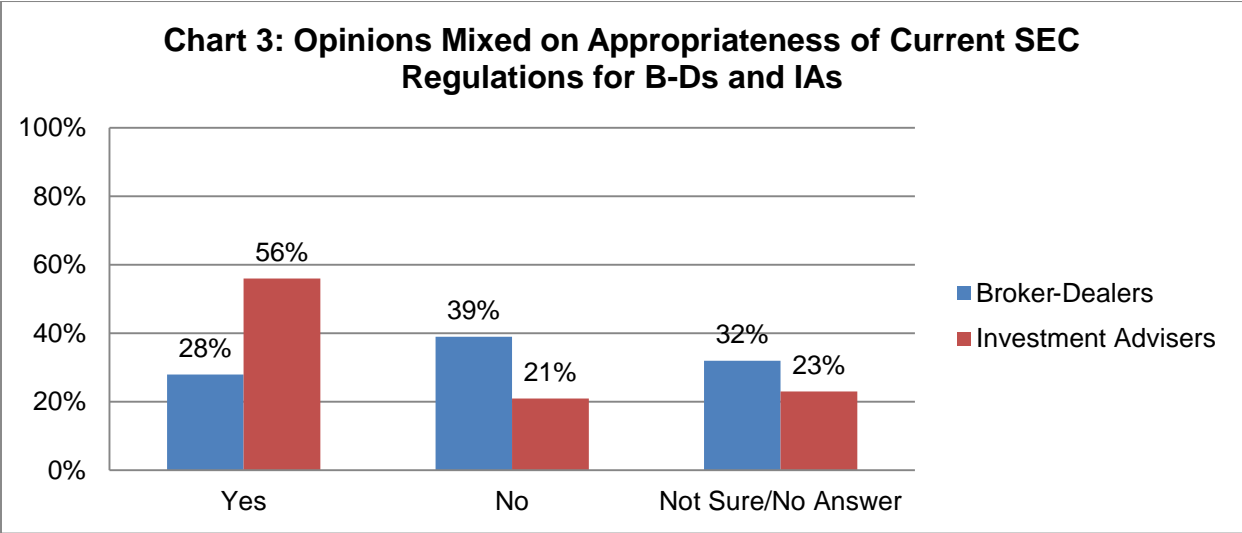
Nearly nine in ten respondents agree the standard is appropriate, with 68 percent saying they strongly agree and 19 percent agreeing somewhat.

- Agreement with this approach is high across all groups, while those who currently deliver financial services under a fiduciary standard of care are most likely to say they agree with that statement (see Chart 2).¹

¹ Throughout this report, differences are noted only if they meet the criterion of statistical significance at the 95 percent level of confidence.



But the response is quite different when financial professionals are asked about the appropriateness of current SEC regulations for broker-dealers and investment advisers. A majority of financial professionals surveyed say the current SEC regulations for investment advisers are appropriate, with 56 percent agreeing and only 21 percent disagreeing. In contrast, just three in ten agree that the current SEC regulations for broker-dealers are appropriate. Twenty-eight percent say the regulations for broker-dealers are appropriate, but 39 percent say they are not. And one-third are unsure or do not offer an opinion (see Chart 3).



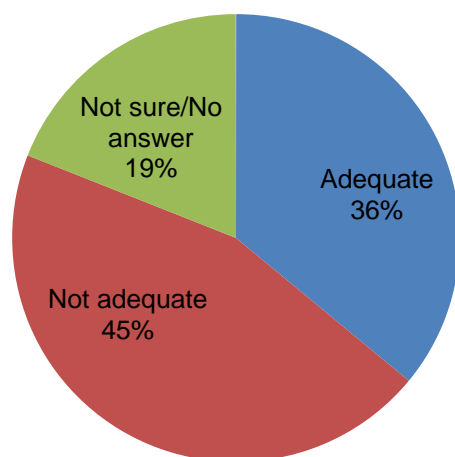
The possibility of a change in SEC guidelines has captured the attention of financial professionals. A majority of respondents surveyed (74%) report they have heard or read at least some news about the SEC's consideration of adopting a rule to extend the fiduciary standard of care to broker-dealers who deliver personalized investment advice to retail investors. One in five say they have read or heard a little, and just six percent say they have heard or read nothing at all about the possibility of a rule change.

- Interestingly, those who disagree with the statement that “a fiduciary standard of care is appropriate for all financial service providers who deliver personalized investment advice to retail investors” are following this story most closely. Forty-seven percent of those who disagree have read or heard a lot about the proposals, compared with 20 percent of those who agree with the statement.
- Those currently providing financial services under a fiduciary standard of care and those who provide services under both standards are more likely to say they have heard or read a lot than those who provide services under only a suitability standard of care (28% and 21% v. 11%, respectively).
- Those potentially most influenced by an extension of a fiduciary standard of care – registered representatives of broker-dealers – are not following the story as closely as others. Fewer registered representatives say they have heard or read a lot about the story (19% v. 27% RIAs or dually registered IA-BD).

CONSUMER PROTECTION

Many financial professionals surveyed say consumers are not offered enough protection under the current SEC regulations for broker-dealers and investment advisers. Forty-five percent of respondents say consumers are not adequately protected under current SEC regulations for broker-dealers and investment advisers, while 36 percent say consumers are adequately protected. Nearly one in five respondents does not offer an opinion on this topic (see Chart 4). (If responses are re-calculated to exclude those who do not offer an opinion, 55 percent say consumers are not offered adequate protection under current SEC regulations, and 45 percent say they are).

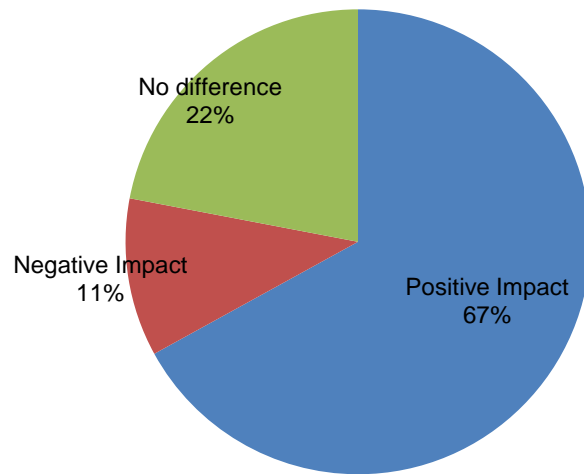
Chart 4: Most Think Consumers Are Not Adequately Protected under Current SEC Regulations



- Opinions vary by the standard of care under which one is currently providing services. A majority of those who provide services under a suitability standard of care (57%) say the consumer is adequately protected. But only 44 percent who operate under both fiduciary and suitability standards say the consumer is protected, and just 24 percent of those delivering services under a fiduciary standard agree.

The change to extend the fiduciary standard of care to broker-dealers who deliver personalized investment advice to retail investors would be good for consumers, most say. Two-thirds say this change would have a positive impact on investors, and far fewer say that it would have a negative impact or not make a difference (see Chart 5).

Chart 5: Extension of Fiduciary Standard to B-Ds would have Positive Impact on Investors



- Nearly eight in ten respondents who provide services under a fiduciary standard of care say this change would have a positive impact on investors, compared with about six in ten of those who provide services under both a fiduciary and suitability standard, and four in ten of those who provide services exclusively under a suitability standard.

The potential impact if the SEC were to extend the fiduciary standard of care to broker-dealers who deliver personalized investment advice to retail investors was explored further.

Respondents were given a list of possible outcomes and asked to rate the likelihood of each outcome (see Table 3). Among the positive outcomes, large majorities say it is likely that the change would better align advisor and investor interests and would help enhance investors' trust in financial service firms. Majorities also say it would likely lead to an increase in the use of lower-cost products to build investor portfolios, as well as decrease client confusion, and increase the use of financial planning services.

Table 3: Likelihood of Outcomes Under Extended Fiduciary Standard of Care				
	Total	Fiduciary Standard of Care	Both Standards	Suitability Standard of Care
Increase disclosure to clients regarding potential conflicts of interest	88%	92%	85%	86%
Better align advisor and investor interests	75%	85%	70%	60%
Help enhance investors' trust in financial service firms, regardless of compensation method	64%	75%	58%	49%
Increase the use of lower-cost products to build investor portfolios	56%	67%	48%	43%
Decrease client confusion concerning the standards of care for financial professionals	56%	70%	46%	37%
Increase investor use of financial planning services	50%	58%	45%	35%
Increase investor demand for financial planning advice	44%	52%	39%	29%
Increase the availability of investment products and services to investors with investable assets between \$100,000 and \$999,999	32%	36%	30%	29%
Increase the availability of investment products and services to investors with investable assets of less than \$100,000	20%	22%	18%	14%
	<i>(n=1852)</i>	<i>(n=944)</i>	<i>(n=759)</i>	<i>(n=129)</i>

- Those who provide financial services under a fiduciary standard of care are more likely than those who provide care under a suitability standard or under both standards to say each positive outcome is likely.
- In a few cases, those who practice under both standards are more apt to say an outcome is likely than those who practice under a suitability standard: better alignment of interests, decrease client confusion, increase use of planning services, and increase demand for advice.

In addition, many respondents see the potential for negative outcomes if the fiduciary standard of care were extended to broker-dealers. Nearly nine in ten believe an extension of the fiduciary standard of care to broker-dealers would lead to an increase in compliance and insurance costs. Seven in ten believe this change would likely lead to an increase in the cost of providing financial planning advice to investors. However, these beliefs are significantly lower among those with experience operating under a fiduciary standard of care (see Table 4).

Table 4: Likelihood of Outcomes Under Extended Fiduciary Standard of Care				
	<u>Total</u>	<u>Fiduciary Standard of Care</u>	<u>Both Standards</u>	<u>Suitability Standard of Care</u>
Increase compliance and insurance costs	87%	81%	91%	93%
Increase the cost of providing financial planning advice to investors	71%	59%	79%	86%
	<i>(n=1852)</i>	<i>(n=944)</i>	<i>(n=759)</i>	<i>(n=129)</i>

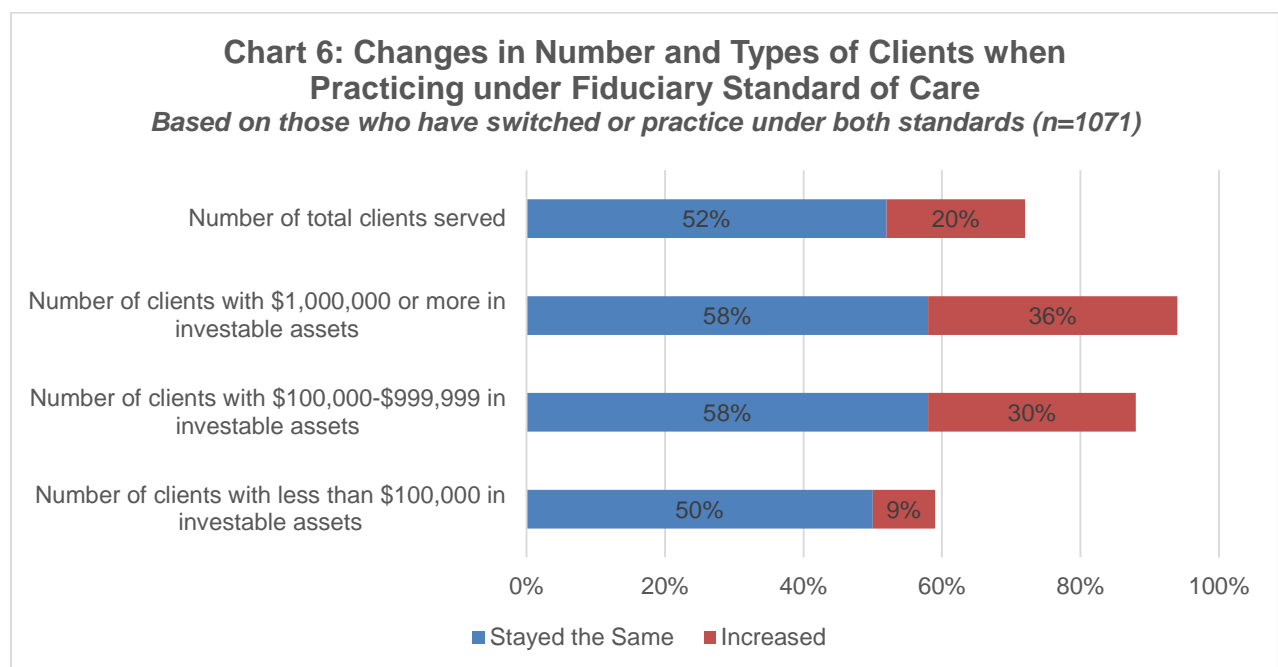
PERSONAL EXPERIENCES

The next sections of this report will focus on the experiences of providing services under a fiduciary standard of care of two groups of financial professionals of particular interest to this study:

- 1) Those who have **switched** from a brokerage-based business model to an advisory based business model and now currently operate exclusively under a fiduciary standard.
- 2) Those who currently provide financial services under **both** a fiduciary and suitability standard of care.

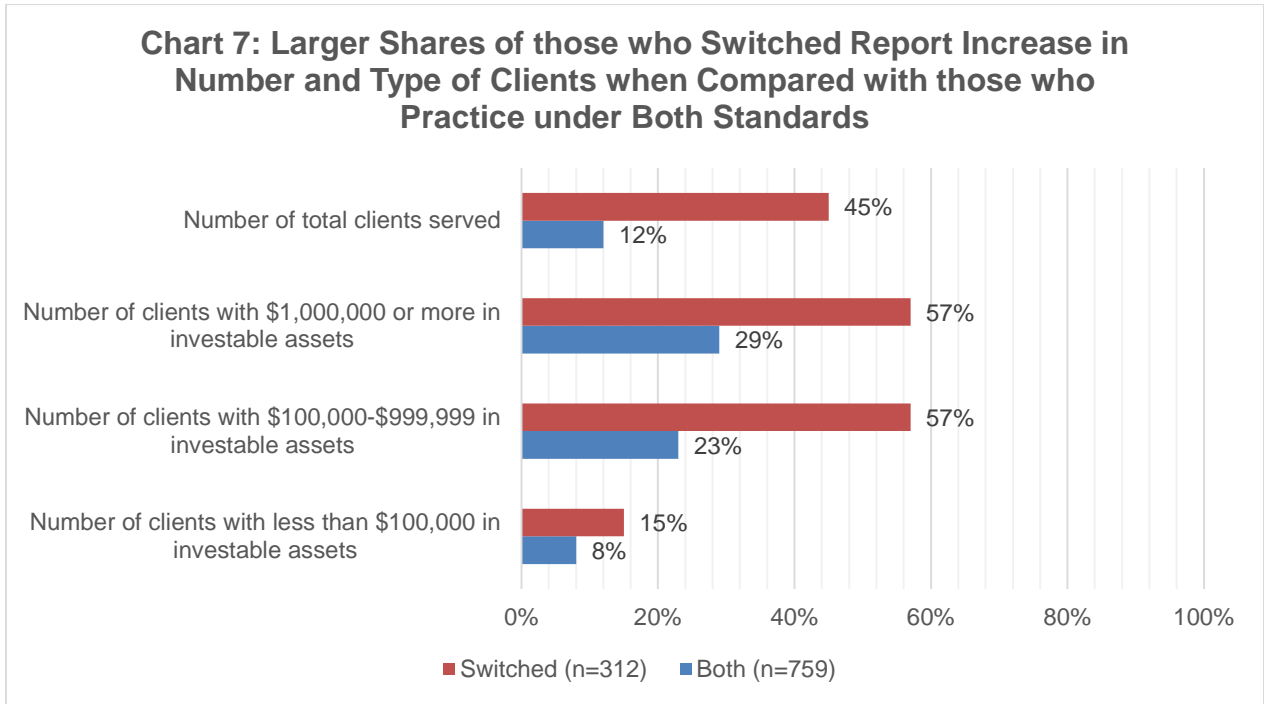
Number and Types of Clients

A majority of respondents who have either switched or operate under both standards say operating under a fiduciary standard results in either no change or an increase in the number of clients (see Chart 6).



- There is a distinct difference in responses to this question between the two groups of interest. Larger shares of those who have switched to a fiduciary standard of care report that the overall number of clients as well as the number of clients in terms of investable

assets has increased since operating under a fiduciary standard of care, while fewer of those who practice under both standards say the same (see Chart 7).

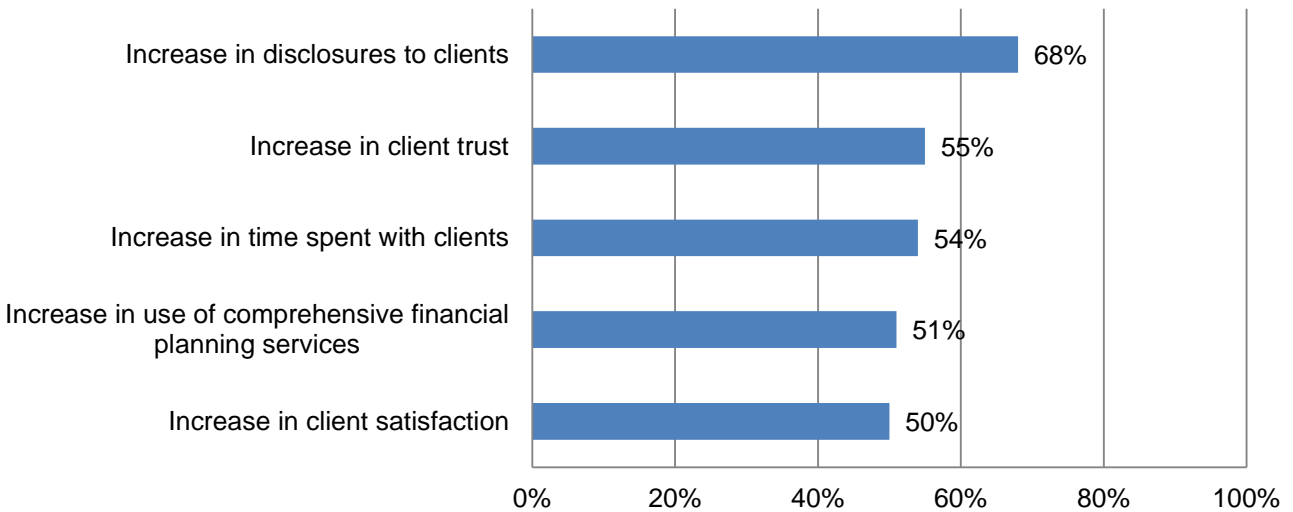


- Majorities of those who practice under both standards say the total number of clients, as well as number of clients across asset ranges, is unchanged when operating under a fiduciary standard of care.

Client Relations

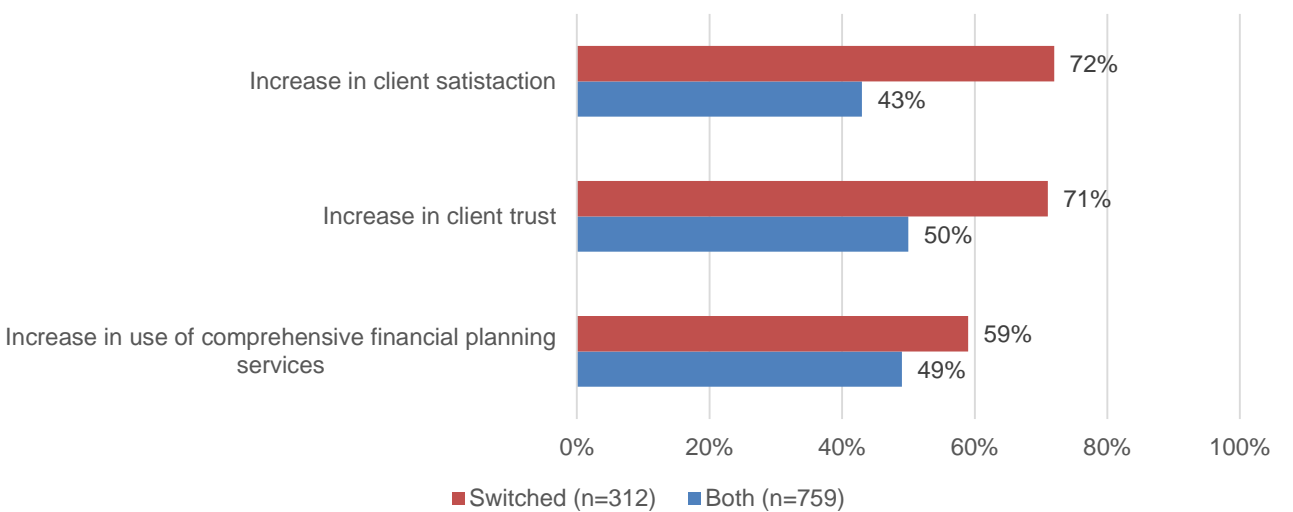
Those who work under both standards of care or have switched were asked a series of questions on how their interactions with clients are different when working under a fiduciary standard of care. When asked about specific types of client differences when working under a fiduciary standard of care, majorities of those who have either switched or practice under both standards cite increase in client trust, time spent with client, and use of comprehensive financial planning services (see Chart 8).

Chart 8: Majorities Report Positive Changes in Client Relationship under a Fiduciary Standard of Care
Based on those who have switched or practice under both standards (n=1071)



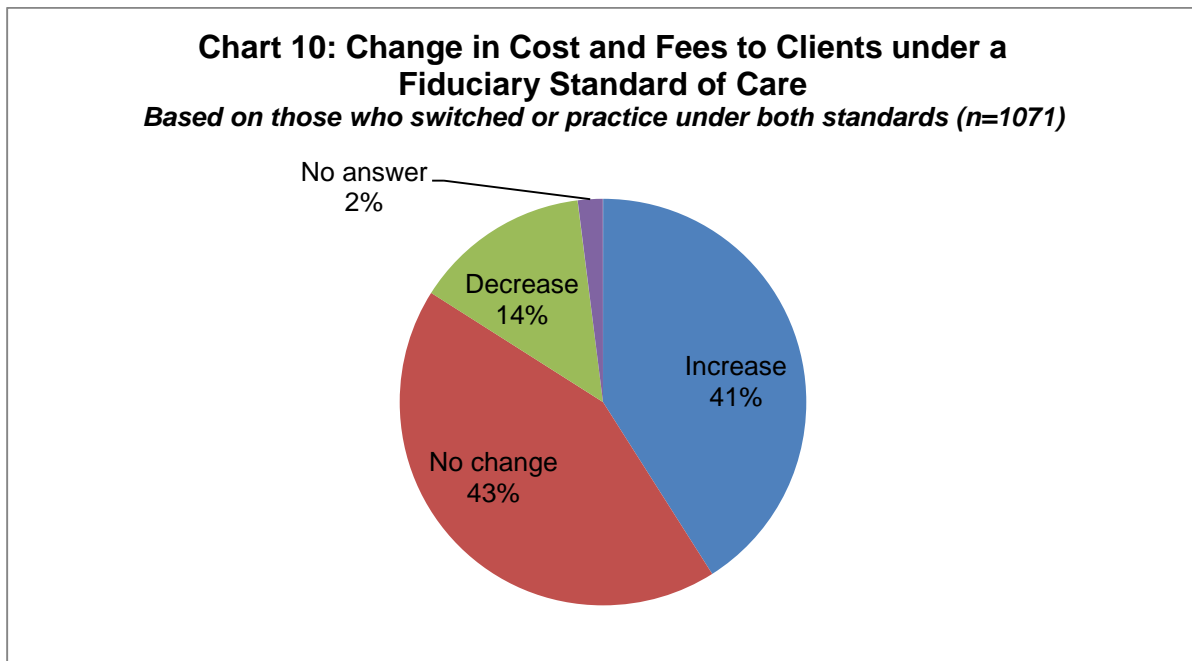
- Those who have switched say their experiences with clients since switching models have been exceedingly positive. A larger share of those who have switched report increases in client satisfaction and trust in comparison with those who practice under both standards (see Chart 9).

Chart 9: Larger Shares of those who Switched Report Positive Changes in Client Relationships when Compared with those who Practice under Both Standards



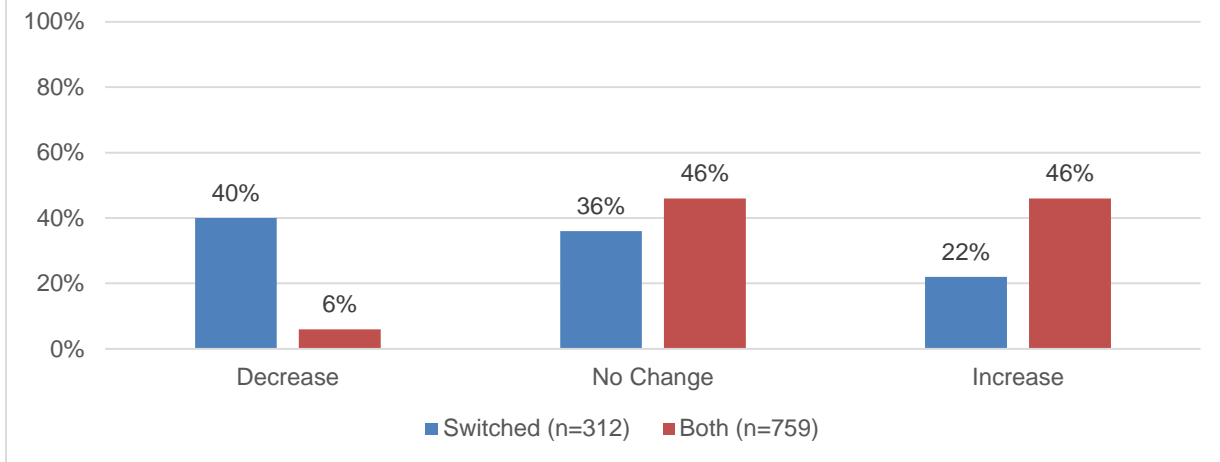
- Again those who operate under both standards are more likely to report these measures are unchanged when they work under a fiduciary standard of care.

Among all those who have either switched or operate under both standards, a majority report either no change in costs and fees to clients or that costs and fees have decreased under a fiduciary standard of care (see Chart 10). This result is in contrast to the large share of all respondents (71%) that say it is likely that the cost of providing financial planning advice to investors would increase if the SEC were to extend the fiduciary standard of care to broker-dealers who deliver personalized investment advice to retail investors.



- Those who have switched are more likely to report a decrease in costs and fees to clients (40%) compared with just 6% of those operating under both standards. In contrast, a larger share of those who work under both standards say there has been an increase or no change when compared to those who have switched (see Chart 11).

Chart 11: A Larger Share of those who have Switched Report Cost and Fees to Clients have Decreased under a Fiduciary Standard of Care

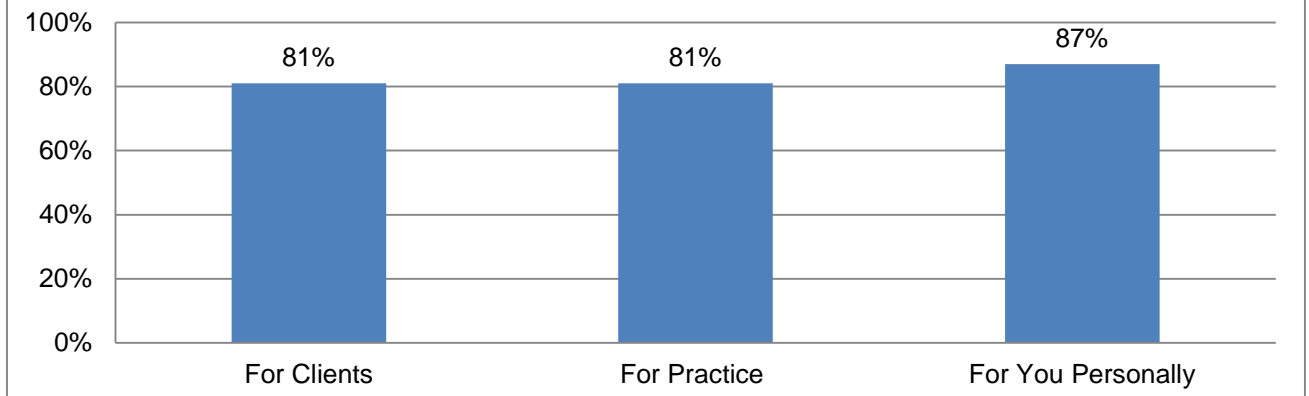


Views on Effectiveness

A majority of those who have switched or practice under both standards believe they are either more effective (50%) or there has been no difference (45%) at meeting their clients' needs under a fiduciary standard of care. Few believe they are less effective (4%).

- Focusing just on those who switched from a brokerage-based model to an advisory model and currently practice under a fiduciary standard of care, large majorities report that the change has been mostly positive for their clients, for their practice, and for them personally (see Chart 12).

Chart 12: Switch to Fiduciary Standard of Care is Viewed Positively
Based on those who switched (n=312)



Business Practices

In addition to questions about changes in the client-advisor relationship, professionals who have switched or practice under both standards were asked about changes to their business practices. Respondents who have switched were given the opportunity to their own 'top of mind' comment on the what they view as the biggest difference to their business practice since they switched from a brokerage-based business model to an advisory based business model.

Respondents who switched cited a wide variety of changes in their business practice. Table 5 lists the responses that were cited by at least one in ten respondents who have switched.

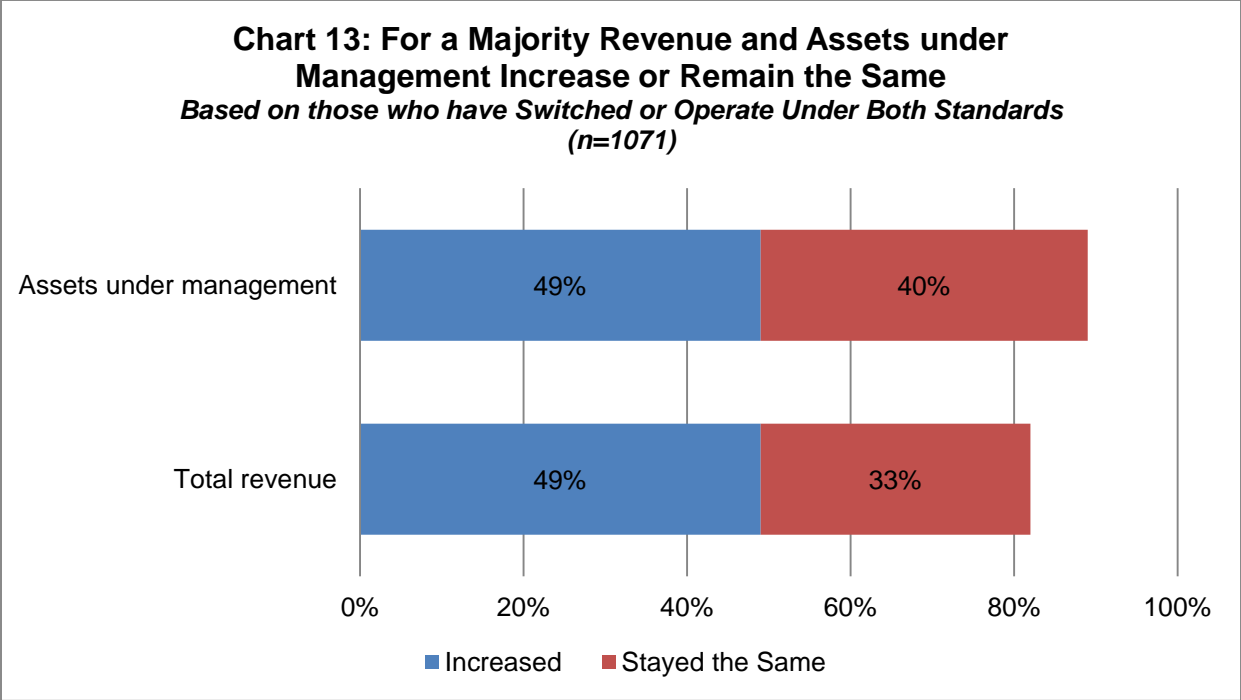
Respondents who either switched or operate under both standards were also

offered a list of specific types of changes, such as changes in revenue, insurance and compliance cost increases and the variety of products and services offered to gauge their response to changes in their business.

Table 5: Biggest Changes in Business Model since Switching	
<i>Based on those who have Switched (n=312)</i>	
Not product driven/Not a salesmen	15%
Focus on the client	13%
More time on financial planning	11%
Different investment philosophy	11%
Independence in selecting products	11%
Ability to provide a greater depth of advice	11%
Better results for client	10%

Revenues and Assets under Management

Strong majorities of those that have switched or practice under both standards say that total revenue and assets under management have either increased or remained the same under an advisory based business model, with nearly half saying each has increased (see Chart 13).



- Those who have switched are more likely than those who operate under both standards to say their total revenue (76% v. 42%) and assets under management (76% v. 41%) have increased by switching from a brokerage-based business model to an advisory based business model.

Range of Products and Services

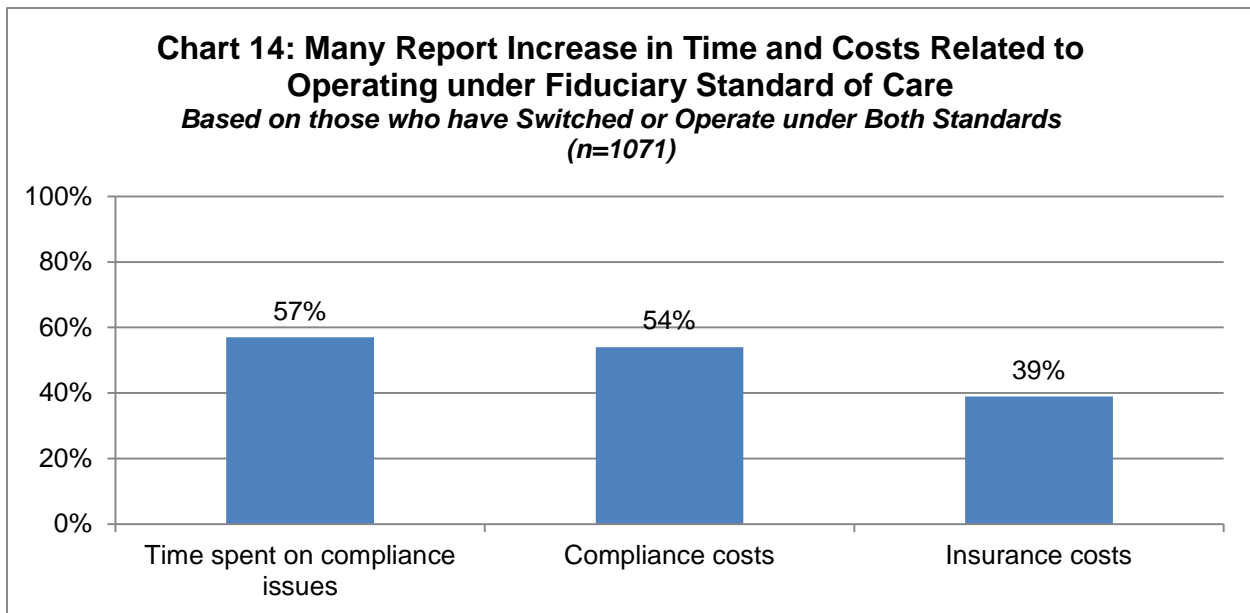
Strong majorities of those that have switched or operate under both standards report that the range of services and products offered has increased or stayed the same (see Table 6).

Table 6: Majorities of Those who have Switched or Operate under Both Standards Report Increases or No Change in Range of Products or Services <i>Based on those who have Switched or Operate under Both Standards (n=1071)</i>				
	<u>Total</u> <u>Increased or</u> <u>No Change</u>	<u>Increased</u>	<u>No</u> <u>Change</u>	<u>Decreased</u>
Range of Services	80%	41%	39%	16%
Range of Products	69%	32%	37%	27%

- A majority of those who have switched report that the range of services offered has increased (55% v. 36% who practice under both).

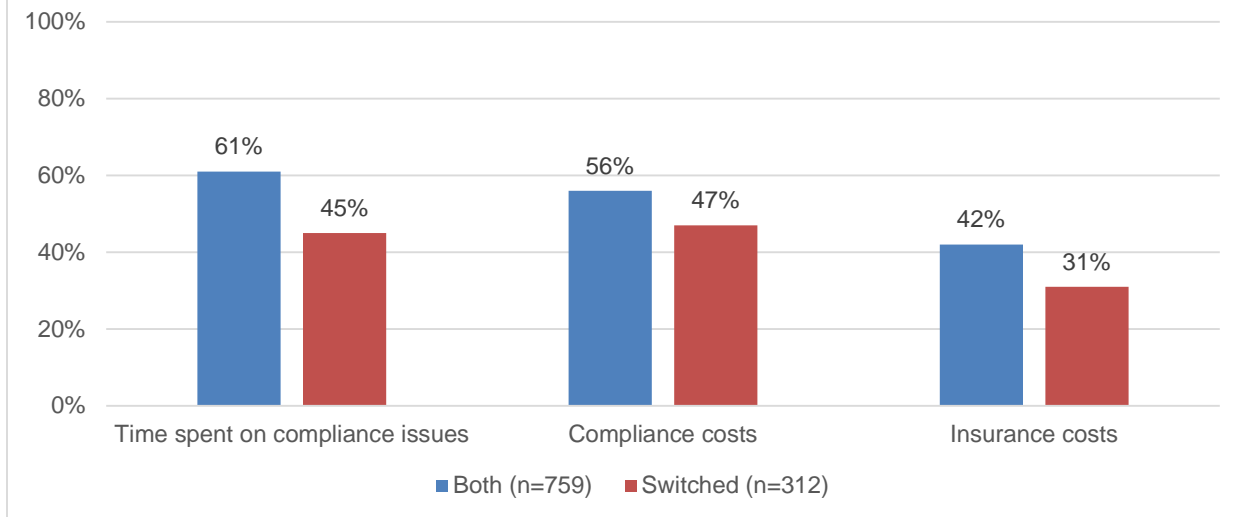
Compliance and Insurance Costs

However, respondents do cite some challenges of operating under an advisory based business model versus a brokerage-based business model. Majorities report that compliance costs and time spent on compliance issues increase when working under an advisory based business model (see Chart 14). Four in ten say their insurance costs have increased. While, these are sizable numbers, it is in stark contrast to the 87 percent who believe increased compliance and insurance costs are a likely outcome of extending the fiduciary standard of care to broker-dealers who deliver personalized advice to retail investors.



- Distinct differences are observed between those who have switched and those who operate under both standards on these questions of cost. Those who operate under both standards are more likely than those who have switched to say costs have increased (see Chart 15).

Chart 15: Larger Shares of those who Operate Under Both Standards say Compliance and Insurance Costs Increased when Compared with those who have Switched



- Conversely, those who have switched are more likely than those who operate under both standards to say their compliance costs have decreased (16% v. 5%) as well as their insurance costs (16% v. 5%), and their time spent on compliance issues (26% v. 9%).

Two-thirds of respondents (66%) who have switched or practice under both standards report that any increase in costs for compliance, insurance, or legal services were not passed on to their clients. Thirty-one percent say that the increased costs of outside services were passed on to clients.

- Those who practice under both a fiduciary and suitability standard are twice as likely to report increased costs had been passed on to clients than those who had switched (35% v. 17%).

APPENDIX A - METHODS

Summary

The Fiduciary Standard Survey is sponsored by The Financial Planning Coalition. The Financial Planning Coalition members are the Certified Financial Planner Board of Standards, Inc. (CFP Board), the Financial Planning Association (FPA), and the National Association of Personal Financial Advisors (NAPFA). The survey obtained interviews with 1,852 respondents from membership lists of each of these three organizations. The survey was conducted by Princeton Survey Research Associates International (PSRAI). The interviews were administered online from December 3, 2013 - February 3, 2014. Details on the design, execution and analysis of the survey are discussed below.

Sample Design and Contact Procedures

Participants were randomly selected from each of the three participating organization's membership and or stakeholder lists. Lists were culled for duplicate names and duplicates were removed. Data collection involved multiple prompts in an effort to get completed interviews.

The first e-mail was sent to all selected respondents. Subsequent e-mails were sent only to those who had not yet responded or explicitly refused. The table below outlines the dates of e-mails.

Table A1: E-mail Invitation Dates			
	CFP Board	FPA	NAPFA
Batch #1			
E-mail #1 ²	12/5/13	12/5/13	12/3/13
E-mail #2	12/10/13	12/12/13	12/10/13
E-mail #3	12/17/13	12/18/13	12/17/13
Batch #2			
E-mail #1	1/16/14 (1/17/14) ³	1/17/14	1/16/14

² Note CFP Board sent E-mail #1 to their stakeholders for both batches. FPA sent all e-mails to their members.

³ Additional sample was released for CFP stakeholders, due to overlap with another survey that CFP Board was conducting at the same time.

E-mail #2	1/22/14	1/23/14	1/22/14
E-mail #3	1/28/14	1/30/14	1/28/14

Response Rate

Table A2 reports the sample disposition. The response rate estimates the fraction of all potential respondents in the sample who were ultimately interviewed. For this project it is calculated by taking the product of two component rates:⁴

- Contact rate – the proportion of sample units where a request for interview was made
- Cooperation rate – the proportion of contacted numbers where an interview was completed, versus those refused

The overall response rate for this project was 7%.

Table A2: Sample Disposition	
1852	I=Completes
487	R=Refusal and breakoff
22677	NC=Non-contact
7%	Response Rate

⁴ PSRAI's disposition codes and reporting are consistent with the American Association for Public Opinion Research standards.

APPENDIX B - TOPLINE RESULTS

Fiduciary Standard Survey

*Princeton Survey Research Associates Intl.
for
The Financial Planning Coalition*

**Final Topline
February 14, 2014**

N=1852 respondents from each of the following 3 organizations

**1141 Certified Financial Planner Board of Standards, Inc. (CFP Board)
426 Financial Planning Association (FPA)
285 National Association of Personal Financial Advisors (NAPFA)**

Mode: Online Survey

Dates: December 3, 2013 – February 3, 2014

RESPONDENT INTRODUCTION:

You have been randomly selected to participate in an important survey being conducted for the Financial Planning Coalition (Coalition). The Coalition members are the Certified Financial Planner Board of Standards, Inc. (CFP Board), the Financial Planning Association (FPA), and the National Association of Personal Financial Advisors (NAPFA). You have been randomly selected from the membership list of a Coalition member.

This interview is completely voluntary and confidential. We hope that you will feel comfortable answering each question, because your responses will provide important information helpful to this survey. If there is any question you don't feel comfortable answering, feel free to move on to the next question.

If you have any questions about the study, you may contact Margie Engle-Bauer at our research partner Princeton Survey Research Associated International - mengle@psrai.com.

We would like for you to answer each question, but if you do not want to answer a given question, just skip it and move on to the next question.

You may go back in the questionnaire using the '<<Back' key. Do not use the back button on your browser.

You may pause the survey and finish it at a later time. Simply re-login to the survey, and you will automatically be taken to the page where you left off.

If you are experiencing any technical trouble with this survey, please contact PSRAI by emailing Techsupport@psrai.com.

Thank you for participating in our study.

GENERAL QUES ABOUT CHANGE TO UNIFORM FIDUCIARY STANDARD:

Q1. Please indicate how strongly do you agree or disagree: “A fiduciary standard of care is appropriate for all financial service providers who deliver personalized investment advice to retail investors.”

68 Strongly Agree
19 Somewhat Agree
6 Somewhat Disagree
6 Strongly Disagree
*** No answer**

Q2. Do you think MOST consumers understand what the term “fiduciary standard of care” means?

2 Yes
96 No
2 Not sure
0 No answer

Thinking about current regulations....

Q3. Do you think the current SEC regulations are appropriate for broker-dealers?

28 Yes
39 No
32 Not sure
*** No answer**

Q4. Do you think the current SEC regulations are appropriate for investment advisers?

56 Yes
21 No
23 Not sure
*** No answer**

Q5. Do you think consumers are adequately protected under the current SEC regulations for broker-dealers and investment advisers?

36 Yes
45 No
19 Not sure
*** No answer**

Q6. Do you think current state securities regulations offer consumers enough protection?

- 36 Yes**
- 35 No**
- 28 Not sure**
- * No answer**

Q7. How much have you heard or read about the SEC’s consideration of adopting a rule that would extend the fiduciary standard of care to broker-dealers who deliver personalized investment advice to retail investors?

- 23 A lot**
- 51 Some**
- 20 A little**
- 6 Nothing at all**
- * No answer**

Q8. Do you think a change to extend the fiduciary standard of care to broker-dealers who deliver personalized investment advice to retail investors would have a positive impact, a negative impact, or would it not make much difference? (ROTATE ITEMS)

	Positive	Negative	No difference	No answer
a. For Investors?	67	11	22	1
b. For Financial Service Firms?	34	45	20	1

Q9. Next, please indicate how likely you think each of these outcomes would be if the SEC extends the fiduciary standard of care to broker-dealers who deliver personalized investment advice to retail investors...(ROTATE)

	Very likely	Somewhat likely	Not too likely	Not at all likely	No answer
a. Increase disclosure to clients regarding potential conflicts of interests	52	36	8	3	1
b. Help enhance investors' trust in financial service firms, regardless of compensation method	24	40	25	10	1
c. Better align advisor and investor interests	39	36	17	6	1
d. Increase investor demand for financial planning advice	10	34	39	16	1
e. Increase the use of lower-cost products to build investor portfolios	18	38	31	12	1
f. Increase the cost of providing financial planning advice to investors	33	38	23	5	1
g. Decrease client confusion concerning the standards of care for financial professionals	23	33	25	18	1
h. Increase the availability of investment products and services to investors with investable assets between \$100,000-\$999,999	6	26	46	20	2
i. Increase the availability of investment products and services to investors with investable assets of less than \$100,000	4	16	45	34	1
j. Increase compliance and insurance costs	55	32	10	2	1
k. Increase investor use of financial planning services	12	38	36	13	1

SWITCHING TO FIDUCIARY STANDARD:

Q10. Under what standard of care are you CURRENTLY delivering financial services?

- 42 Fiduciary**
- 9 Suitability**
- 48 Both Fiduciary and Suitability**
- 1 No answer**

Q11. Please describe the standard of care of your current practice:

Based on those who deliver care under both fiduciary and suitability standard (n=759)

	0-25%	26-50%	51-75%	76-100%	No answer
a. Fiduciary	13	16	20	48	3
b. Suitability	21	15	17	42	4

Q11A. What did you base your answer in the previous question on?

Based on those who deliver care under both fiduciary and suitability standard (n=759)

- 39 Number of clients**
- 30 Assets under management**
- 9 Number of accounts**
- 20 Something else (Specify)**
- 3 No answer**

Q12. Did you convert from a brokerage-based business model to an advisory based business model either as a result of the FPA decision or at any other point in your career?

Based on those who deliver care under a fiduciary standard (n=944)

- 34 Yes**
- 65 No**
- 1 No answer**

Q13. How many years ago did you switch from a brokerage-based business model to an advisory based business model?

Based on those who switched to a fiduciary standard (n=312)

- 15 In the past 1-2 years**
- 14 3 to 4 years ago**
- 36 5 to 9 years ago**
- 35 10 years ago or more**
- 0 No answer**

Q14. Have you or your practice SERIOUSLY considered switching from delivering financial services or products under a suitability standard to a fiduciary standard of care?

Based on those who practice under suitability standard (n=449)

- 26 Yes**
- 71 No**
- 3 No answer**

Q15. Has the change to a fiduciary standard in connection with your advisory accounts been mostly positive, mostly negative, or hasn't made much difference in each of the following areas?

Based on those who switched to a fiduciary standard (n=312)

	Mostly positive	Mostly negative	Not much difference	No answer
a. For your clients	81	0	19	*
b. For your practice	81	2	16	1
c. For you personally	87	2	11	0

CLIENT INTERACTION:

Q16. What has been the biggest difference in your interactions with clients since you made the switch to a fiduciary standard of care? Please be as specific as you can.

Based on those who switched to a fiduciary standard (n=312)

- 28 Client-advisor relationship elevated/Increased trust**
- 20 Transparency in fees/compensation**
- 19 Focus on helping clients**
- 15 Not much difference/I have always put clients first**
- 13 Better results for client/Loyal clients**
- 12 No/Fewer conflicts of interest**
- 12 Objectivity/More choice in product solutions**
- 12 Not selling products/No pressure from broker-dealer**
- 8 Ability to communicate directly and openly with clients**
- 6 Clients don't seem to know or fully understand difference**
- 5 Revenue**
- 7 Other**
- 16 No answer**

***Results may total more than 100% due to multiple responses
Responses less than 5% not shown***

Q17. What is the biggest difference in your interactions with clients when practicing under a fiduciary standard of care? Please be as specific as you can.

Based on those who deliver care under both fiduciary and suitability standard (n=759)

- 17 Not much difference/I have always put clients first**
- 15 Always operate this way/as a fiduciary**
- 12 Ability to communicate directly and openly with clients**
- 10 Focus on helping clients**
- 9 Transparency in fees/compensation**
- 8 Paperwork/documentation/compliance issues**
- 7 More focus on comprehensive financial planning**
- 7 More time spent with individual clients**
- 5 Client-advisor relationship elevated/Increased trust**
- 5 Treat all clients the same**
- 5 Level of accountability higher**
- 5 Objectivity/More choice in product solutions**
- 6 Other**
- 29 No answer**

***Results may total more than 100% due to multiple responses
Responses less than 5% not shown***

Q18. Was there an increase, decrease, or no change in each of the following under a fiduciary standard of care?

Q19. Is there an increase, decrease, or no change in each of the following when practicing under a fiduciary standard of care?

Based on those who switched to a fiduciary standard or practice under both (n=1071)

	Increase	Decrease	No Change	No answer
a. Number of total clients served?	20	25	52	3
b. Number of clients with \$1,000,000 or more in investable assets?	36	2	58	4
c. Number of clients with \$100,000-\$999,999 in investable assets?	30	8	58	3
d. Number of clients with less than \$100,000 in investable assets?	9	37	50	3

Q20. Was there an increase, decrease, or no change in each of the following under a fiduciary standard of care? (ROTATE ITEMS)

Q21. Is there an increase, decrease, or no change in each of the following when practicing under a fiduciary standard of care? (ROTATE ITEMS)

Based on those who switched to a fiduciary standard or practice under both (n=1071)

	Increase	Decrease	No Change	No answer
a. Time spent with clients?	54	3	42	2
b. Costs and Fees to clients?	41	14	43	2
c. Client trust?	55	1	43	2
d. Client satisfaction?	50	2	47	2
e. Disclosures to clients?	68	2	27	2
f. Use of comprehensive financial planning services?	51	2	44	2

Q22. Do you believe you are more effective, less effective, or is there no difference at meeting your clients' needs under a fiduciary standard of care?

Based on those who switched to a fiduciary standard or practice under both (n=1071)

- 50 More effective**
- 4 Less effective**

45 No difference
1 No answer

BUSINESS PRACTICES:

Now, thinking about your business practice...

Q23. What has been the biggest difference in your business practices since you switched from a brokerage business model to an advisory business model? Please be as specific as you can.

Based on those who switched to a fiduciary standard (n=312)

- 15 Not product driven/No pressure to meet sales goals
- 13 Focus on the client
- 11 More time on financial planning
- 11 Different investment philosophy/structure/procedures
- 11 Independence and objectivity re: investment products
- 11 Ability to provide a greater depth of advice
- 10 Better results for client/Referrals
- 9 Feel better about my work
- 7 None/always acted in this model
- 7 Transparency in fees/compensation
- 6 Increased client trust
- 5 Not commission based/steadier income
- 5 Compliance issues

*Results may total more than 100% due to multiple responses
Responses less than 5% not shown*

Q24. Was there an increase, decrease, or no change in each of the following by switching from a brokerage business model to an advisory business model? (ROTATE ITEMS)

Q25. Is there an increase, decrease, or no change in each of the following under an advisory business model versus a brokerage business model? (ROTATE ITEMS)

Based on those who switched to a fiduciary standard or practice under both (n=1071)

	Increase	Decrease	No Change	No answer
a. Compliance costs (out of pocket)	54	8	34	4
b. Time spent on compliance issues	57	13	26	4
c. Insurance costs	39	8	49	4
d. Total revenue	49	13	33	4
e. Commissions	8	61	27	4
f. Direct fees for services	59	6	30	4
g. Assets under management	49	7	40	4

h. Time spent on acquiring new clients	26	14	56	4
i. Range of products offered	32	27	37	4
j. Range of services offered	41	16	39	4

Q26. Were any increases in costs for compliance, insurance, or legal services passed on to clients?

Based on those who switched to a fiduciary standard or practice under both (n=1071)

- 31 Yes**
- 66 No**
- 4 No answer**

DEMOGRAPHICS:

Just a few final questions so we can describe the people who took part in our survey.

D1. Which category best describes the type of firm you work for?

- 6 Insurance Company**
- 5 Bank, Bank Trust Department or Trust Company**
- 15 BD - Wirehouse/Large Broker Dealer**
- 17 BD - Independent/Privatey-Owned**
- 2 BD - Bank or Trust Company Affiliated**
- 4 RIA - Wirehouse/Large Broker Dealer**
- 38 RIA - Independent/Privatey-Owned**
- 1 RIA - Bank or Trust Company Affiliated**
- 11 Other (Specify)**
- * No Answer**

D2. What is your current license/registration?

- 28 Registered representative of Broker-Dealer**
- 29 Associated persons with Registered Investment Adviser**
- 26 Dually registered IA - BD**
- * Dually Registered Investment Adviser and Commodity Trading Advisor**
- 4 Licensed insurance producer/agent**
- 4 Financial service providers (holding no license or registration)**

- 4 Bank or Trust Company Officer
- 4 Certified Financial Planner/CFP
- 1 Certified Public Accountant
- 4 Other (Specify)
- 1 No answer

D3. How do your clients typically pay for the services you render?

- 45 Fees (includes fixed, flat, hourly, percentage or performance-based fees)
- 5 Commission
- 47 Both - commissions and fees
- 3 No answer

D4. What percentage of your practice's revenue or production in the last 12 months comes from commission-based products?

- 36 0%
- 9 1-5%
- 13 6-15%
- 14 16-30%
- 25 Over 30% of revenue
- 3 No answer

D5. Please provide an approximate percentage breakdown of your practice's clients by wealth segment?

	0-24%	25-49%	50% or more	No answer
a. Clients with \$1,000,000 or more in investable assets	46	15	25	15
b. Clients with \$100,000 to \$999,999 in investable assets	12	18	55	14
c. Client with less than \$100,000 in investable assets	56	12	8	24

D6. Do you provide financial services to retail clients?

- 80 Yes
- 18 No
- 2 No answer

D7. How many years have you provided financial services to retail clients?

Based on those who provide financial services to retail clients (n=1485)

- 20 1-9 years**
- 35 10-19 years**
- 45 20 years or more**
- 1 No answer**

D8. What regulatory bodies currently oversee your practice? (PLEASE MARK ALL THAT APPLY)

Federal level

- 42 SEC (as a broker dealer)**
- 52 SEC (as an investment adviser)**
- 2 CFTC (as a commodity trading advisor)**
- 4 Other (Specify)**

State Level

- 65 State securities department**
- 9 State banking department**
- 47 State insurance department**
- 2 Other (Specify)**

SRO

- 67 FINRA**
- 10 MSRB**
- 2 NFA**
- 2 Other (Specify)**
- 7 No Answer**

Results may total more than 100% due to multiple responses

D9. Are you...?

- 77 Male**
- 22 Female**
- * No answer**

D10. What is your age?

- 16 18-39**
- 22 40-49**
- 29 50-59**
- 27 60 and older**
- 7 No answer**

D11. Are you of Hispanic or Latino background, such as Mexican, Puerto Rican, Cuban, or some other Latin American background?

D12. What is your race?

88 White, Non-Minority

7 Minority - Hispanic, Black, Asian, Other

5 No answer

THANK YOU!

Thank you for taking the time to complete this survey. Your responses are very important to our research. To ensure that your responses are included in this study, please click the "SUBMIT" button to finish the survey.