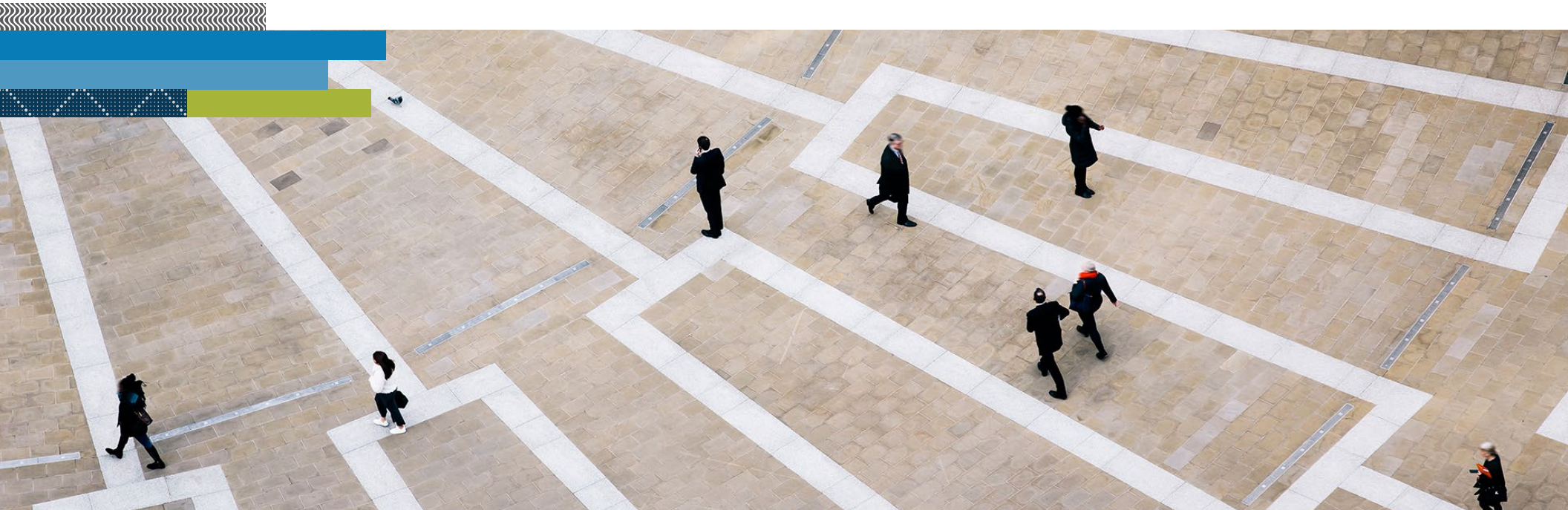


Achieving fiduciary excellence

Data and insights into advisory firms that adhere to a framework of fiduciary best practices





Executive Summary

Fiduciary excellence begins with an advisory firm's commitment to adhere to prudent practices aligned with regulation and case law. These practices put clients' interests first. They also help firms realize investment objectives sooner, better align investment services to expenses and ensure accountability for actions taken.

When firms adhere to prudent practices, clients gain a foundation for trust based on consistent, measurable standards. Firms gain a reputation for professionalism, integrity and superior performance.

Certification by the Centre for Fiduciary Excellence (CEFEX®) is a powerful way to demonstrate commitment to fiduciary standards. Certification requires advisory firms to voluntarily submit to annual policy-and-procedure audits by independent expert analysts.

CEFEX-certified firms demonstrate growth across a variety of metrics, efficiently adhering to the latest best-practice standards to achieve greater transparency and accountability. This report provides insight into how they are implementing fiduciary best practices in the face of evolving industry trends and serves as a benchmark to assess where your firm stands in relation to CEFEX-certified advisory firms.

Prudent Practices®

developed by Broadridge Fi360 Solutions

Officially published in 2003, the Prudent Practices® were developed using law, regulation, and case law substantiation. The framework helps ensure a fiduciary investment strategy is properly developed, implemented, and monitored according to both legal and ethical obligations. CEFEX-certified firms adhere to the Prudent Practices® as their foundation for serving their client's best interests.

[Learn more >>](#)

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ABOUT THIS REPORT

“As ‘fiduciary’ continues to become a huge buzzword in the industry and carry the appropriate weight, I find it extremely valuable to be able to share that our firm undergoes an annual audit by an independent third party to confirm we operate as such.”

—SAM SWIFT, ADVISOR,
TCI WEALTH MANAGEMENT

This report summarizes data derived from assessments of 139 CEFEX-certified firms conducted as of February 1, 2022. Data accuracy is high because every assessment is conducted by a CEFEX Analyst and reviewed by the CEFEX Registration Committee.

For more details, please refer to [The CEFEX-Certified Advisor Profile](#). >>

TOTAL FIRMS

113	U.S. firms
26	International firms
29	Average firm size staff count

ADVISED ASSETS

32,342	Retirement plans
\$393.7B	Retirement AUM
55,220	Non-retirement accounts
\$60.9B	Non-retirement AUM

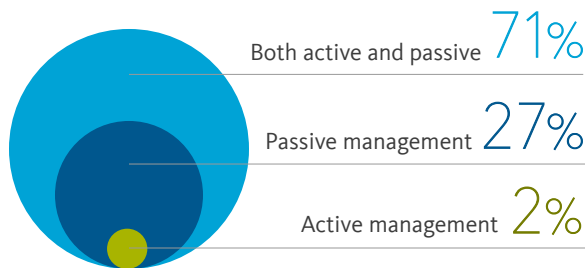
A strategic mix

Best practices require advisors to carefully consider their investment strategies. Documented and structured processes are more likely to result in investment portfolios that balance growth, costs and risk while serving the client’s best interests. This leaves ample room for choice.

Active and passive

The prudent advisor must have a documented rationale for the selection of either active or passive investment philosophies. The majority of CEFEX advisors employ a combination of these strategies.

INVESTMENT PHILOSOPHY (% of CEFEX firms)

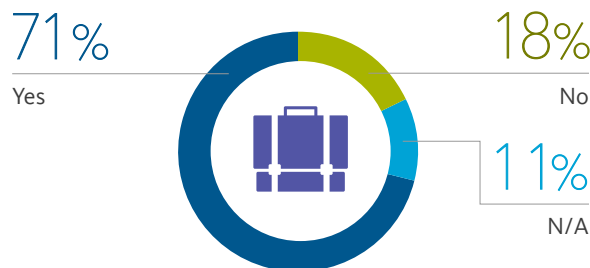


N = 139 firms, U.S. and international

Model portfolios

Model portfolios have been gaining in popularity. Among CEFEX firms, use of model portfolios has increased by 25 percent over the past three years.

USE OF MODEL PORTFOLIOS (% of CEFEX firms)



N = 139 firms, U.S. and international

Robo advisors

Only a small percentage of U.S. certified firms (and no international firms) report using a digital investment advisory platform or “robo advisor” when giving advice.

USE OF DIGITAL ADVICE PLATFORMS (% of CEFEX firms)



N = 113 firms, U.S. only



Target Date Funds

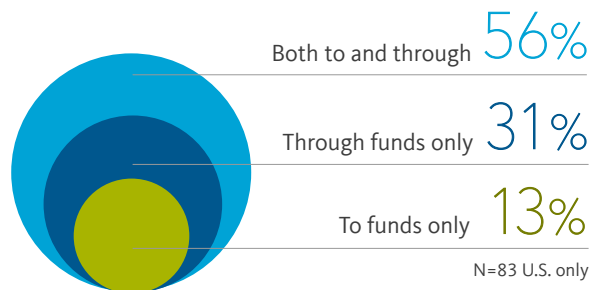
Target Date Funds (TDFs) are often the default investment for defined contribution plans, so CEFEX-certified advisors must ensure that the projected returns are based on reasonable risk/premium assumptions.

Selecting a glide path

Advisors may choose funds with “to” or “through” glide paths depending on whether clients intend to remain invested after retirement. Managers of “through” funds will continue to adjust the balance of stock and bond funds after the target year.

TDF SELECTIONS

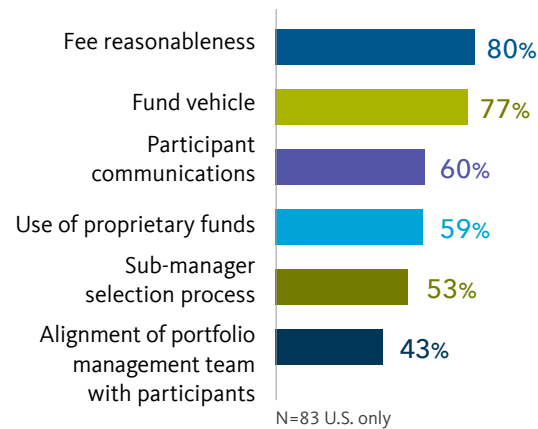
(% of CEFEX firms recommending TDFs)



TDF criteria

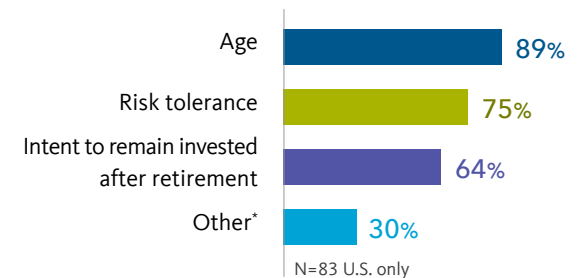
Because Target Date Funds are funds of funds, CEFEX advisors seek a detailed understanding of strategies and risks of the fund and its underlying assets.

FUND EVALUATION CRITERIA FOR TDFs



Age and risk tolerance are the primary demographic criteria used in the selection of TDFs.

DEMOGRAPHIC CRITERIA FOR TDFs



* 'Other' may include replacement income goals, employer contributions, company's industry, average account balance and length of employment

Investment vehicles and strategies

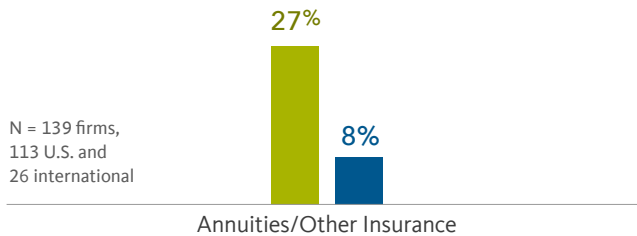
The use of specific investment vehicles and strategies can vary based upon advisor philosophy. Because no one investment strategy is right for every client, advisors should be familiar with the full universe of investment options.

Annuities and guaranteed income products

CEFEX advisors can demonstrate the justification for these investments, such as tax reasons, shelters or client preference for a guaranteed income.

ANNUITIES AND OTHER INSURANCE

(% of CEFEX firms) ■ U.S. ■ International

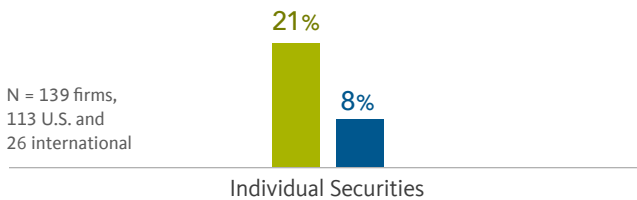


Individual securities

CEFEX advisors may choose individual securities based on their liquidity, marketability and contribution to the overall diversification strategy.

INDIVIDUAL SECURITIES

(% of CEFEX firms) ■ U.S. ■ International

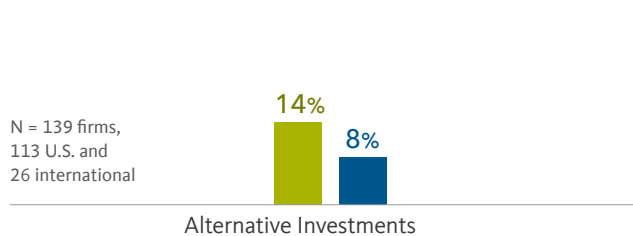


Alternative investments

Advisors may sometimes make or recommend investments in alternative vehicles such as commodities, derivatives, mortgage securities, hedge funds, etc.

ALTERNATIVE INVESTMENTS

(% of CEFEX firms) ■ U.S. ■ International



Heightened due diligence challenges

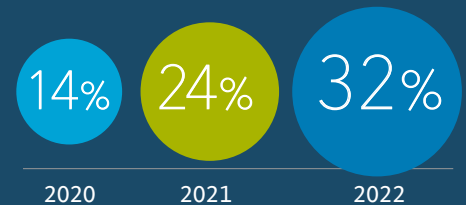
Advisors who recommend alternative investments or complex strategies involving derivatives must apply special analytical skills to fulfill their obligation of care because these investments are generally not regulated, transparent, easily valued or marketable.

SIGNIFICANT GROWTH IN ESG INVESTMENTS

CEFEX-certified advisors are increasingly likely to recommend environmental, social and governance (ESG) products. While 69% of international advisors (N=26) recommend ESG investments, only 23% of U.S. advisors (N= 113) currently do so.

ESG INVESTMENTS (% of CEFEX firms)

N = 139 firms, 113 U.S. and 26 international



INVESTMENT DUE DILIGENCE USING ESG FACTORS

These investments must be prudent and based on the standards applied for other investments. ESG factors can be considered to determine whether they can enhance returns or mitigate risks.



Fi360 SCORE WATCH LIST

The Fi360 Fiduciary Score® provides advisors with a transparent and objective investment rating system for evaluating open-end mutual funds, ETFs, collective investment trust funds and group retirement annuities. It helps advisors demonstrate a prudent investment selection and monitoring process with visual displays that are easy for clients to understand.

Very few CEFEX-certified firm portfolios require watch list activity, further evidence of their adherence to fiduciary best practices.

Continued vigilance

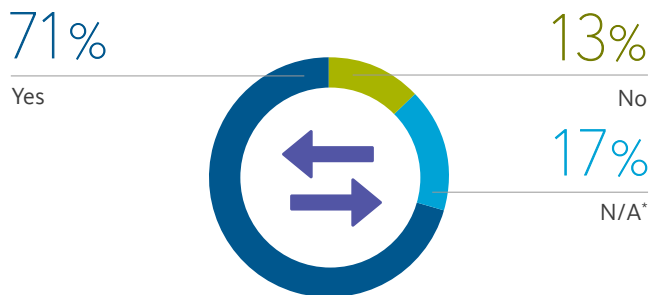
CEFEX-certified advisory firms must periodically monitor performance relative to relevant benchmarks and to ensure investments are on track to meet the goals identified in the Investment Policy Statement. This is vital in terms of both fiduciary duty to the client and risk reduction for the advisory firm.

Benchmarking

Periodic reviews compare investment performance against appropriate market and peer-group benchmarks and overall portfolio objectives.

USE OF RELEVANT PERFORMANCE BENCHMARKS

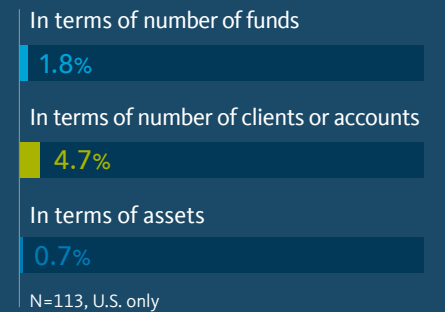
(% of CEFEX firms)



N = 139 firms, U.S. and international

*Investment Advisor does not provide portfolio allocation services.

Fi360 3 YEAR AVERAGE FIDUCIARY SCORE GREATER THAN 75* AMONG CEFEX FIRMS



*An Fi360 score *above 75* indicates the investment is in the lowest quartile in terms of performance and fiduciary screens.

Optimizing operations, data and engagement

Close adherence to the Prudent Practices® not only helps to serve the client's best interests. It also helps to ensure regulatory compliance while mitigating investment and procedural risks. In summary, it helps enhance client trust.

3(38) Fiduciary Services

A majority of CEFEX firms offer 3(38) discretionary fiduciary services. They can be delegated authority and control of plan assets by the plan sponsor. In doing so, they also assume legal and liability responsibility.¹ This makes it even more important that they carefully evaluate all investments, including available safe harbors, to determine whether they are acting in the best interest of investors and their beneficiaries.

LEVERAGING 3(38)

(% of CEFEX firms)



N = 113 firms, U.S. only

External compliance consultants

All CEFEX firms take compliance seriously. Most use an external compliance consultant. Those that don't are typically RIAs who instead rely on home-office RIA compliance officers.

USE OF AN EXTERNAL COMPLIANCE CONSULTANT

(% of CEFEX firms)



N = 139 firms, U.S. and international

¹Per <http://www.apapensions.com/apa-retirement-plan-insights/erisa-3-38-vs-erisa-3-21> "the plan sponsor cannot completely eliminate its fiduciary liability. The plan sponsor is still responsible for the prudent selection of the 3(38) investment manager and must monitor and benchmark that 3(38) investment manager."

Data best practices

Fiduciary duty requires that advisors take reasonable precautions to ensure the security, confidentiality and integrity of customer data and protect against unauthorized use. Most CEFEX-certified firms rely on secure online storage vaults to manage client data.

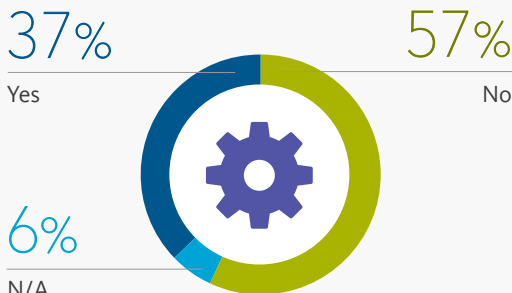
USE OF FIDUCIARY DOCUMENT STORAGE SYSTEMS (% of CEFEX firms)



N = 139 firms, U.S. and international

More than half of CEFEX advisory firms choose to perform data processing in house.

OUTSOURCE CLIENT DATA PROCESSING (% of CEFEX firms)



N = 139 firms, U.S. and international

Certified firms have written policies, procedures and safeguards to ensure confidentiality of client and plan data and protect against threats to clients and their personally identifiable information (PII).

DATA SECURITY PRACTICES



N = 139 firms, U.S. and international

Because PII is an attractive target for cybercriminals, firms are taking steps to prevent unauthorized access.

PII PROTECTION



N = 139 firms, U.S. and international

A growing number of CEFEX firms are also acquiring insurance to protect against data breaches and reduce cyber liability.

FIRMS WITH CYBER INSURANCE (% of CEFEX firms)

N = 139 firms, U.S. and international



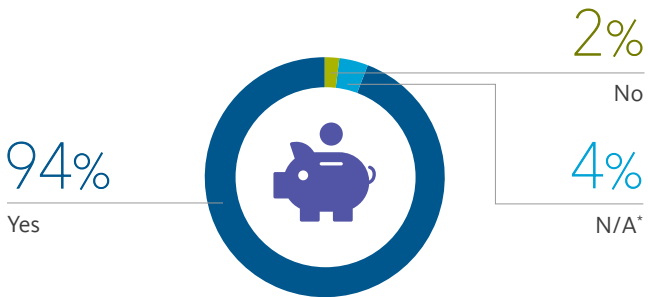
Individual client engagement

CEFEX firms that serve individual clients are well prepared to meet the fiduciary requirements owed to clients and their beneficiaries.

The advisor helps assess retirement readiness based on factors such as plan participation levels, contribution levels, etc.

RETIREMENT READINESS EVALUATION

(% of CEFEX firms)

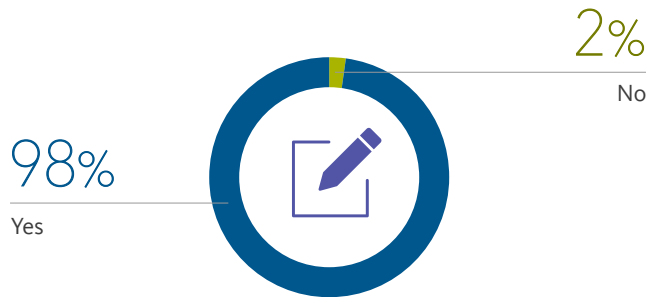


N = 113 firms, U.S. only

The advisor ensures that beneficiary designations are documented.

BENEFICIARY DOCUMENTATION

(% of CEFEX firms)

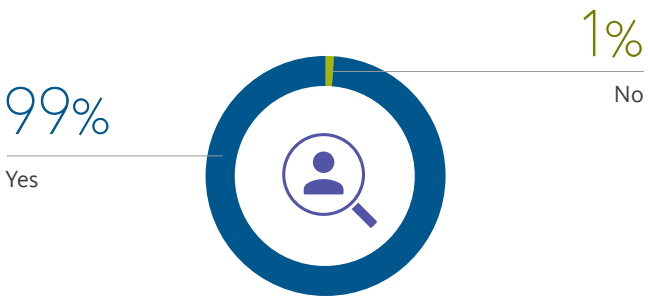


N = 81 firms, U.S. and international

Firms that service individual clients have a documented process for authorizing one family member to take responsibility for another's investment decisions if necessary.

DOCUMENTED DECISION MAKER AUTHORIZATIONS

(% of CEFEX firms)

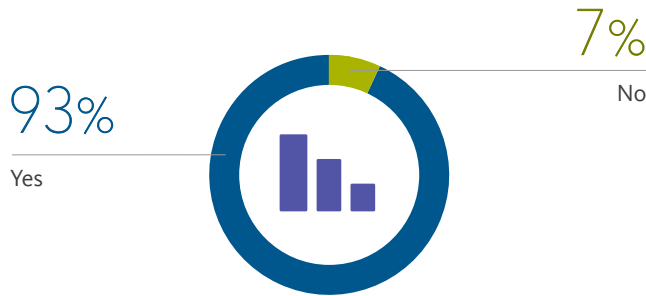


N = 80 firms, U.S. and international

Most advisors that serve individual clients have practices and procedures in place to manage situations where clients have a diminished financial capacity.

DIMINISHED CAPACITY PROVISIONS

(% of CEFEX firms)



N = 83 firms, U.S. and international

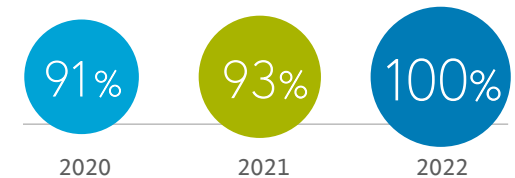


DECISION OPTIMIZER

This interactive tool enables advisors to comply with PTE 2020-02 by visually evaluating the merits of rolling assets over to an IRA versus keeping them within the 401(k) plan. The decision is documented in an easy-to-understand report that can be shared with clients.

ROLLOVER ADVICE (% of CEFEX firms)

N = 69 U.S. firms



CEFEX-certified advisors are prepared to advise departing employees in a way that best serves the employees' interests. Firms assessed on their preparations demonstrated capacity to advise in adherence with Department of Labor PTE 2020-02 and with fiduciary excellence.

Focus areas for increased excellence

Fiduciary excellence is a journey of continuous improvement. It is based on 21 Prudent Practices® designed to ensure that critical components of an investment strategy are properly implemented and followed. Annual fiduciary assessments help to identify the practice areas where firms may have opportunities for improvement.



A DETAILED ROADMAP

The Investment Policy Statement should contain sufficient detail to define, implement and monitor the portfolio's investment strategy



WRITTEN AGREEMENTS

Agreements under the supervision of the investment advisor must be in writing and should not contain provisions that conflict with fiduciary obligations



CLEARLY DEFINED RESPONSIBILITIES

The roles and responsibilities of all involved parties, whether fiduciaries or non-fiduciaries, must be defined and documented



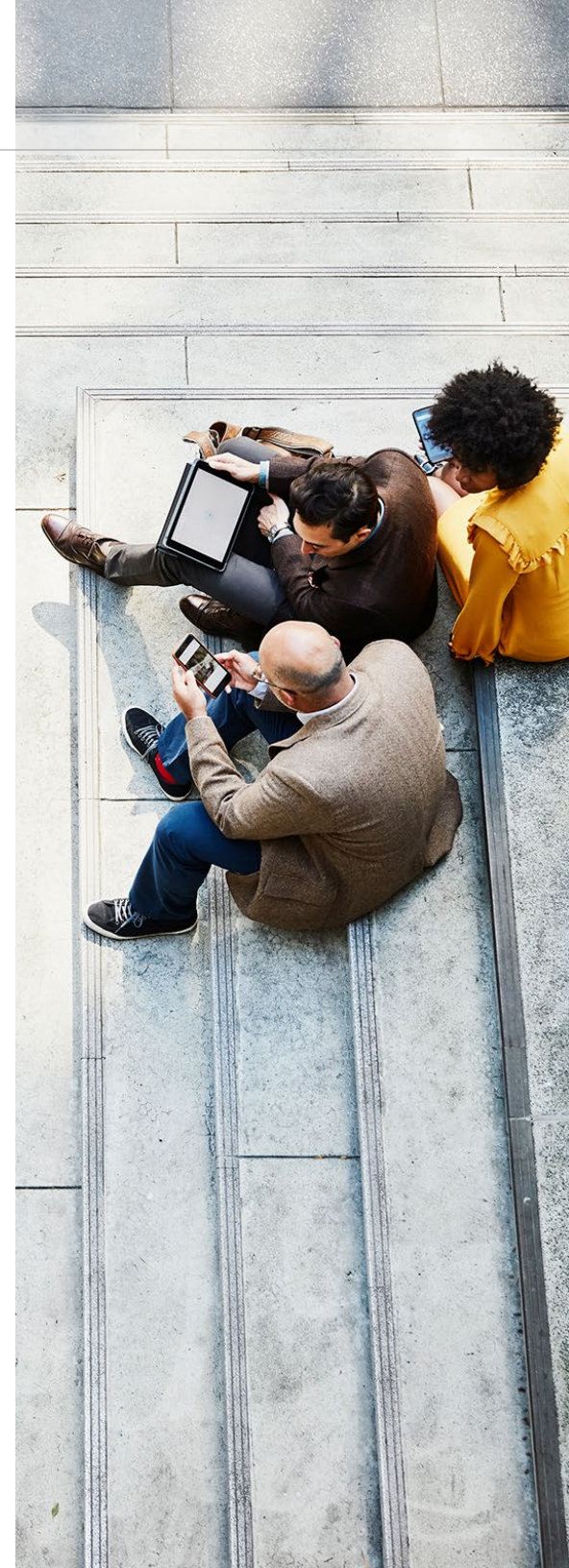
PRUDENT PROTECTIONS

Sensitive personal identifying information and assets of clients require prudent protection from theft, embezzlement and business disruption risks



ALIGNMENT WITH GOALS

Investments and investment services provided must be consistent with governing documents



CEFEX-certified advisory firms benefit from a systematic management approach

Their commitment to fiduciary excellence boosts efficiency, reduces risk and earns client trust by validating a reputation for exceptional professionalism and integrity.

Empowering fiduciary excellence

Broadridge Fi360 Solutions simplifies the implementation of prudent, repeatable fiduciary processes by providing renowned training, technology, and data solutions. It also helps you optimize your fiduciary and business practices to deliver the best service possible to your clients.

Training, designation and certification

- Accredited Investment Fiduciary® (AIF®) Designation Training
- Accredited Investment Fiduciary Analyst® (AIFA®) Designation Training
- CEFEX Firm-Level Certification

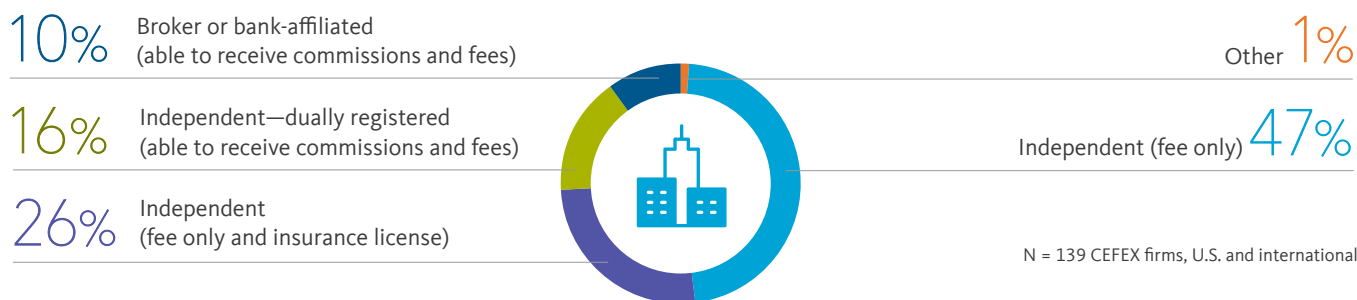
Technology and data

- Fiduciary Focus Toolkit™
- Decision Optimizer
- Fi360 Fiduciary Score
- And more

To learn more about how you and your firm can achieve fiduciary excellence contact fi360sales@broadridge.com or call [866.390.5080](tel:866.390.5080)

CEFEX-CERTIFIED ADVISOR PROFILE

BUSINESS MODEL



HAS A WRITTEN SUCCESSION PLAN



SUBJECT TO RECENT REGULATORY EXAM



FIRM ASSET GROWTH (2021–2022)



About the Report

This report is compiled from the results of independent audits of CEFEX-certified firms conducted by CEFEX, Centre for Fiduciary Excellence, www.CEFEX.org

Types of clients served by certified CEFEX firms

RETIREMENT PLANS

	Number of plans	Assets in \$ billions
ERISA DC	7,581	\$241.6
ERISA DC 3(38)	22,370	\$52.5
ERISA DB	639	\$8.6
Public DC Plans	187	\$26.0
Public DB Plans	13	\$0.5
403b/Church	791	\$44.9
Taft Hartley	4	\$0.2
Other	757	\$19.4

N = 113 U.S. only

NON-RETIREMENT ACCOUNTS

	Number of clients	Assets in \$ billions
High Net Worth	34,601	\$34.5
Personal Trusts	6,236	\$8.6
Eleemosynary	1,265	\$2.9
Other	13,118	\$14.9

N = 113 U.S. only



To scan, simply open the camera app on your mobile device and point the camera at the QR code.

Broadridge Financial Solutions (NYSE: BR), a global Fintech leader with \$5 billion in revenues, provides the critical infrastructure that powers investing, corporate governance, and communications to enable better financial lives. We deliver technology-driven solutions that drive digital transformation for banks, broker-dealers, asset and wealth managers and public companies. Broadridge's infrastructure serves as a global communications hub enabling corporate governance by linking thousands of public companies and mutual funds to tens of millions of individual and institutional investors around the world. Our technology and operations platforms underpin the daily trading of more than U.S. \$9 trillion of equities, fixed income and other securities globally.

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Ready for Next