

Enhance your retirement plan with a  
**Fiduciary Advisor**

**Retirement Plan Feature:**

The concept of the Fiduciary Advisor, or Fiduciary Advisor Role, is an optional provision within a defined contribution plan, such as a 401(k), that allows a qualified advisor to provide investment-specific advice to employees. The role was developed as part of the Pension Protection Act of 2006 and affords plan sponsors exemptions under ERISA's prohibited transactions guidelines. The goal was to provide additional resources to employees for making investment decisions. The provision must adhere to the following guidelines:



- The arrangement must be expressly authorized by a plan fiduciary other than the investment advisor.
- A Fiduciary Advisor must be a fiduciary of the plan (this may change due to the inherent problems it creates).
- Fees earned by the Fiduciary Advisor may not vary depending upon the basis of any investment option selected, **or** it must use a computer model developed by an independent agent adhering to certain statutory requirements.
- The compensation earned by the Fiduciary Advisor must be reasonable.
- An independent auditor must perform a comprehensive annual audit of the investment arrangement.
- The Fiduciary Advisor must provide participants and beneficiaries with written notification detailing specified aspects of the investment advice arrangements.
- Other provisions apply.

**Background:**

During the development of the Pension Protection Act of 2006, Congress was exceedingly concerned that social security, coupled with an employee's defined contribution plan like a 401(k), would not be enough for financial security during retirement in many cases. Additionally they concluded that traditional education provided in existing plans to employees was not adequate. The determination was that availability of investment-specific advice, particularly at the employee level, was a necessity. Previously ERISA had precluded fiduciaries and plan providers, via prohibited transactions, from providing investment-specific advice simply due to perceived conflicts of interest. The Act created a new prohibited transaction exemption allowing fiduciaries, specifically investment professionals, to be compensated for giving participants investment advice. Compensation is subject to limitations to preclude the possibility of abuse.



Please feel free to ask us about all the provisions and requirements for implementing a Fiduciary Advisor in your retirement plan.



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