

fi360[®]
global
fiduciary insights

YOUR GUIDE TO GLOBAL FIDUCIARY INSIGHTS

Uncovering Trends in Uncertain Times

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&

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Fi360



Mission: To promote a culture of fiduciary responsibility and improve the decision-making processes of investment fiduciaries.

The path of destruction

1. Real estate bubble bursts
2. Credit markets collapse; equity markets plunge
3. Deleveraging by financial institutions and individuals begins
4. Jobs are cut and spending falls off a cliff
5. Commodities dive
6. TARP is abandoned; financial institutions are selectively bailed out
7. Private deleveraging intensifies, replaced by massive government borrowing

Bottom Line: Problems are pervasive and will be persistent. Fiduciaries must stress process over performance.

Bailout realities

1. Financial system had to be saved but implementation lacked coherence
2. “Too big to fail” is being replaced by “Too many to save”
3. Advisability of auto bailout is suspect – people won’t buy cars if they don’t have jobs, cash, credit or nest egg
4. Credit is not coming back anytime soon
5. Defined benefit plans are in big trouble
6. Stimulus packages will have to be huge to have a long-term impact, but there is little else left to try

Bottom line: We must collectively advocate for our government to make decisions in a fiduciary context.

Crony capitalism is the root problem and biggest risk

1. Past three administrations promoted deregulation, regulators accommodated it
2. Transparency and avoidance or management of conflicts are essential to true capitalism
3. Paradoxically, too much regulation also fosters crony capitalism – “regulatory capture” risk
4. Government policy makers must be objective, corporate governance must be more principled, and a stronger financial services profession must emerge (denial is a common problem)
5. All fiduciaries must better understand and fulfill their responsibilities

Bottom line: The industry must shift focus from gaining a competitive edge to assuring competitive markets.

Regulatory reality and outlook

1. More exemption-driven rules
 - PPA statutory exemption
 - Class exemption
 - 408(b)(2)
2. Exemption rules are painful and expensive
3. New “conflicted” advisors must compete on RIAs’ home turf – register with SEC and meet new rules
4. Rules-driven regulations will favor principles-driven business model for advisors
5. FINRA may want a bigger role, but it is ill-equipped

Bottom line: The financial services industry will be forced to migrate to become more of a profession.

Call to action

1. Uncertainty is the enemy – process is the antidote
2. Simplify everything: business model, fees, affiliations, disclosures, communications, etc.
3. Classic brokerage model continues to become less and less competitive – at best, must act as a fiduciary would
4. Play great defense: market, litigation, regulatory and business risks are at all-time highs

Bottom line: The good news: the best will prosper, the rest will disappear

Follow-up items

- Go to the fi360 Blog (blog.fi360.com) to continue this discussion.
- Recording will be available early next week (fi360.com/resources_webinars.jsp). We encourage you to take advantage of this free fi360 Resource and share it with others.
- Check out our End-of-year promotion on training and tools (fi360.com/eoyspecial).
- Take advantage of early bird registration for the 2009 fi360 Conference (fi360.com/conference09) in Scottsdale, AZ.



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Blaine Aikin is the Chief Executive Officer of fi360. Fi360 is a national and international leader in the field of investment fiduciary responsibility, providing training, Web-based analytical tools, and resources for those who manage money on behalf of others. He is the author of numerous articles on the subjects of fiduciary responsibility and investment management, and the author of the monthly Fiduciary Corner column in InvestmentNews magazine.

Blaine received his Master of Public Management and Policy degree from the Heinz School of Carnegie-Mellon University. Upon graduation from CMU, he was selected for the prestigious Presidential Management Intern Program which involved management assignments in the U.S. Department of Treasury and the U.S. Senate. He subsequently served as Budget Officer for Prince William County, Virginia. Blaine then entered the private sector in professional financial management. He earned the Certified Financial Planner (CFP) and Chartered Financial Analyst (CFA) designations and served as a principal and Chief Investment Officer of Allegiance Financial Advisors. After providing contract training and consulting services for PNC Financial Services Group, Blaine became a Senior Vice President and Director of Product Development and Management for PNC Advisors. For several years, he also served as an adjunct faculty member of the College for Financial Planning, providing instruction in investment planning and other subjects leading to the Certified Financial Planner designation.



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Rich Lynch is the COO of Fiduciary360, which delivers training, tools and resources for investment fiduciaries. As one of the main instructors for fi360 Training, he is instrumental in providing investment education and training programs that award the Accredited Investment Fiduciary® (AIF®) and Accredited Investment Fiduciary Analyst™ (AIFA®) professional designations. He also provides oversight to fi360 Tools, which has developed sophisticated Web-based tools and reporting, including the innovative Fiduciary Score™ and the Fund Family Fiduciary Rankings™ for trustees and investment professionals.

Rich assisted with the development of the industry's fiduciary handbook series, **Prudent Investment Practices**.

Rich graduated from the United States Coast Guard Academy with high honors in Economics-Management, where he received the Superintendent's Award for leadership at graduation. During his twenty-year Coast Guard career, he served aboard three ships as Operations Officer, Executive Officer and Commanding Officer respectively. In addition, he held various senior-level financial management positions, including an assignment to the National Pollution Funds Center, a newly established Coast Guard unit responsible for managing the \$1 billion Oil Spill Liability Trust Fund. Rich received his Master's of Business Administration degree (Magna Cum Laude) with an emphasis in Operations Research from George Washington University.