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New guidelines can help investors

The Securities and Exchange Commission and U. S. Department of Labor (DOL) released guidelines in May to help retirement plan

fiduciaries review their investment consultants' conflicts of interest. We believe these guidelines can be helpful for all investors as they evaluate their investment advisory and consulting relationships.

Regulators suggest asking these questions:

- Are you registered with the SEC or a state securities regulator as an investment adviser? If so, have you provided me with all the disclosures required under those laws?
- Do you or a related company have relationships with money managers who you recommend, consider for recommendation or otherwise mention to the plan for our consideration? If so, describe those relationships.
- Do you or a related company receive any payments from money managers you recommend, consider for recommendation or otherwise mention to the plan for our consideration? If so, what's the extent of these payments in relation to your other income (revenue)?
- Do you have any policies or procedures to address conflicts of interest or to prevent these payments or relationships from being considered when you provide advice to your clients?
- If you allow plans (clients) to pay your consulting fees using the plan's brokerage commissions, do you monitor the amount of



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TODD**

commissions paid and alert plans when consulting fees have been paid in full? If not, how can a plan make sure it does not overpay its consulting fees?

- If you allow plans (clients) to pay your consulting fees using the plan's brokerage commissions, what steps do you take to ensure that the plan receives best execution for its securities trades?
- Do you have any arrangements with broker-dealers under which you or a related company will benefit if money managers place trades for their clients with such broker-dealers?
- If you're hired, will you acknowledge in writing that you have a fiduciary obligation as an investment adviser to the plan while providing the consulting services we are seeking?

• Do you consider yourself a fiduciary under ERISA with respect to the recommendations you provide the plan?

- What percentage of your plan clients utilize money managers, investment funds, brokerage services or other service providers from whom you receive fees?

"When consultants have alliances or financial or other relationships with money managers or other service providers, the potential for material conflicts of interest exists," regulators wrote.

Regardless of whether you are a personal investor, trustee or retirement plan sponsor, take heed. Taking action on this set of guidelines can help with investor prudence, but may offer fiduciary protection as well.

Richard Todd is a consultant and principal of InnoVest Portfolio Solutions in Denver. Reach him at 303-694-1900 or richt@innovestinc.com