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**Date Prepared:** 02/08/2011

The primary purpose of this Self-Assessment of Fiduciary Excellence (SAFE) has been to assess whether your investment decision making process meets a fiduciary standard of care.

This SAFE is specifically written to define a global fiduciary standard of excellence for Investment Advisors - similar to the role of the Investment Steward, the Investment Advisor manages a client's overall investment strategy. The primary difference is that the Advisor is a regulated professional. The term is intended to be inclusive of wealth managers, financial advisors, trust officers, investment consultants, financial consultants, and financial planners who provide comprehensive and continuous investment advice.

The questions contained in this SAFE are based on the investment fiduciary Practices and Criteria outlined in the handbook, Prudent Practices for Investment Advisors (U.S. Edition). By following a structured process, as defined by these Practices, the fiduciary can be confident that critical components of an investment strategy are being properly implemented.

## REPORT

### The following areas have met the review requirements:

- [Practice A-1.1:](#) The fiduciary Practices and Procedures defined in the Prudent Practices for Investment Advisors handbook are being applied.
- [Practice A-1.2:](#) Investments are managed in accordance with all applicable laws.
- [Practice A-1.2:](#) Investments held in trusts are managed in accordance with client trust documents.
- [Practice A-1.2:](#) Investments are managed in accordance with each client's written Investment Policy Statement (IPS).
- [Practice A-1.2:](#) Documents pertaining to the investment management process are filed in a centralized location.
- [Practice A-1.3:](#) The roles and responsibilities of all parties are documented in the IPS.
- [Practice A-1.3:](#) All parties have demonstrated an awareness of their duties and responsibilities.
- [Practice A-1.3:](#) All parties have acknowledged their fiduciary status in writing.
- [Practice A-1.3:](#) Investment committees have and follow a defined set of by-laws.
- [Practice A-1.4:](#) There are defined policies and procedures for overseeing and managing potential conflicts of interest.
- [Practice A-1.4:](#) All employees annually acknowledge the ethics policies of the Investment Advisor's organization and agree to disclose any potential conflicts of interest.
- [Practice A-1.5:](#) Agreements and contracts are periodically reviewed to ensure consistency with the needs of the client.
- [Practice A-1.5:](#) Agreements and contracts are periodically reviewed by legal counsel.
- [Practice A-1.5:](#) Consideration is given to putting vendor contracts back out for bid every three years.
- [Practice A-1.5:](#) Service providers fully disclose compensation arrangements, affiliations, and their fiduciary status.
- [Practice A-1.6:](#) The Investment Advisor has a reasonable basis to believe the assets are within the purview of the relevant judicial system.
- [Practice A-1.6:](#) ERISA fiduciaries have the required surety bond.
- [Practice A-2.1:](#) The sources, timing, distribution, and uses of each client's cash flows are documented for the coming five years.
- [Practice A-2.1:](#) In the case of a defined benefit retirement plan client, the appropriate asset/liability study has been factored into the time horizon.
- [Practice A-2.1:](#) In the case of a foundation or endowment, the receipt and disbursement of gifts and grants has been factored into the time horizon.
- [Practice A-2.1:](#) In the case of a retail investor, the appropriate needs-based analysis has been factored into the time horizon.
- [Practice A-2.1:](#) Sufficient liquid assets are maintained for contingency plans.
- [Practice A-2.2:](#) The level of risk the client's portfolio is exposed to is understood. The quantitative and qualitative factors that were considered are documented.
- [Practice A-2.2:](#) The "worst-case" scenario has been considered. It has been determined that the portfolio has sufficient liquidity to meet short-term (less than five years) obligations.
- [Practice A-2.3:](#) The "expected" or "modeled" return for each client is consistent with the client's investment goals and objectives.
- [Practice A-2.3:](#) For defined benefit plans, the expected return values used for actuarial calculations are reasonable.
- [Practice A-2.3:](#) The "expected" or "modeled" return assumptions for each asset class are based on risk-premium assumptions, as opposed to recent short-term performance.
- [Practice A-2.4:](#) Assets are appropriately diversified to conform to each client's specified time horizon and risk/return profile.
- [Practice A-2.4:](#) For participant directed plans, selected asset classes provide each participant the ability to diversify their portfolio appropriately given their time horizon and risk/return profile.
- [Practice A-2.4:](#) The methodology and tools used to establish appropriate portfolio diversification for each client are effective and consistently applied.
- [Practice A-2.5:](#) The Advisor has the time, inclination, and knowledge to effectively implement and monitor all selected asset classes for each client.

- [Practice A-2.5:](#) The process and tools used to implement and monitor investments in the selected asset classes are effective.
- [Practice A-2.5:](#) The ability to access suitable investment products within all selected asset classes has been considered.
- [Practice A-2.6:](#) Each client's IPS defines the duties and responsibilities of all parties involved.
- [Practice A-2.6:](#) Each client's IPS defines diversification and rebalancing guidelines consistent with specified risk, return, time horizon, and cash flow parameters.
- [Practice A-2.6:](#) Each client's IPS defines the due diligence criteria for selecting investment options.
- [Practice A-2.6:](#) Each client's IPS defines the monitoring criteria for investment options and service vendors.
- [Practice A-2.6:](#) Each client's IPS defines procedures for controlling and accounting for investment expenses.
- [Practice A-2.7:](#) Each client's goals and objectives have been evaluated to determine whether socially responsible investing is appropriate and/or desirable.
- [Practice A-2.7:](#) If a client has elected to implement a socially responsible investment strategy, the client's IPS is appropriately structured, implemented, and monitored.
- [Practice A-3.1:](#) There is a due diligence procedure for selecting investment options.
- [Practice A-3.1:](#) The due diligence process is consistently applied.
- [Practice A-3.2:](#) Applicable safe harbor requirements pertaining to the delegation of investment responsibility are implemented properly when elected.
- [Practice A-3.2:](#) Applicable 404(c) safe harbor requirements are implemented properly when elected.
- [Practice A-3.2:](#) Applicable fiduciary adviser safe harbor requirements are implemented properly when elected.
- [Practice A-3.2:](#) Applicable qualified default investment alternatives (QDIA) are implemented properly when elected.
- [Practice A-3.3:](#) Decisions regarding passive and active investment strategies are documented and appropriately implemented.
- [Practice A-3.3:](#) Decisions regarding the use of separately managed and commingled accounts, such as mutual funds and unit trusts, are documented and appropriately implemented.
- [Practice A-3.3:](#) Regulated investment options are selected over unregulated options when comparable risk and return characteristics are projected.
- [Practice A-3.3:](#) Investment options that are covered by readily available data sources are selected over similar alternatives for which limited coverage is available.
- [Practice A-3.3:](#) In the case of wrap or sub-accounts, the portfolio's return is comparable to the returns received by institutional clients in the same investment strategy.
- [Practice A-3.4:](#) A documented due diligence process is applied to select the custodian and all other service providers.
- [Practice A-3.4:](#) Each custodian has appropriate and adequate insurance to cover each client's portfolio amount.
- [Practice A-3.4:](#) An appropriate sweep money market fund has been selected.
- [Practice A-3.4:](#) An inquiry has been made as to whether each custodian can facilitate performance reporting and year-end tax statements.
- [Practice A-4.1:](#) The performance of each investment option is periodically compared against an appropriate index, peer group, and due diligence procedures defined in each client's IPS.
- [Practice A-4.1:](#) The information that is provided in performance reports is relevant to each client's circumstances.
- [Practice A-4.1:](#) "Watch list" procedures for underperforming investment options are followed.
- [Practice A-4.1:](#) Rebalancing procedures are followed.
- [Practice A-4.2:](#) Periodic evaluations of the qualitative factors that may impact selected money managers are performed.
- [Practice A-4.2:](#) Unsatisfactory news regarding an Investment Manager is documented and acted on in a timely manner.
- [Practice A-4.3:](#) Control procedures are in place to periodically review each separate account manager's policies for best execution.
- [Practice A-4.3:](#) Control procedures are in place to periodically review each separate account manager's policies for "soft dollars."
- [Practice A-4.3:](#) Control procedures are in place to periodically review each separate account manager's policies for proxy voting.
- [Practice A-4.4:](#) A summary of all parties being compensated from each client's portfolio assets has been documented. The fees are reasonable given the level of services rendered.
- [Practice A-4.4:](#) The fees being paid for various services are periodically evaluated for reasonableness.
- [Practice A-4.4:](#) The fees being paid for various services are periodically compared to industry benchmarks.
- [Practice A-4.5:](#) All parties compensated from portfolio assets have been identified, along with the amount (or schedule) of their compensation.
- [Practice A-4.5:](#) Compensation paid from portfolio assets has been determined to be fair and reasonable for the services rendered.
- [Practice A-4.6:](#) Operational effectiveness is periodically reviewed to foster continued improvement.
- [Practice A-4.6:](#) Assessments are conducted at planned intervals to determine whether (a) appropriate policies and procedures are in place to address all fiduciary obligations, (b) such policies and procedures are effectively implemented and maintained, and (c) the IPS is up-to-date.
- [Practice A-4.6:](#) Assessments are documented, conducted in a manner that ensures objectivity and impartiality, and results reviewed for reasonableness.

#### NEXT STEPS



- To work with an investment advisor who has earned a professional designation based on the fiduciary practices covered in this assessment, [click here](#).
- For training on investment fiduciary responsibility, [click here](#).
- For Web-based tools to help with the following, [click here](#).
  - Analyze any mutual fund to a defined fiduciary due diligence process
  - Monitor a portfolio of mutual funds on an ongoing basis
  - Generate an investment policy statement
  - Generate an asset allocation study
- For a sample fiduciary acknowledgment letter, [click here](#).
- For a sample of investment committee meeting minutes, [click here](#).

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