



# THE INVESTOR ADVOCATE®

Volume Four, Issue Six

## Advocating Your Success

Highland Consulting Associates, Inc. looks out for your best interests, strives to provide sound knowledge and counsel, advocates your position in the investment marketplace... to maximize your opportunities for success.

## TIPS FOR SELECTING A CONSULTANT

Potential conflicts of interest and lack of disclosure by retirement plan consultants to their clients continue to be critical concerns of the Securities and Exchange Commission (SEC) and the Department of Labor (DOL). The questions below were jointly issued by both agencies to assist plan sponsors in evaluating retirement plan investment consultants.<sup>1</sup> The questions should be part of the due diligence process when selecting an investment consultant.

### QUESTIONS AND ANSWERS

The questions issues jointly by the SEC and DOL are published below along with Highland's responses. The purpose is to inform clients and other fiduciaries of issues relevant to evaluating advisors as well as their objectivity and any potential conflicts of interest.

1. Are you registered with the SEC or a state securities regulator as an investment advisor? If so, have you provided...all the disclosures required under those laws (including Part II of Form ADV)?

*Yes, Highland is registered with the SEC. Our Form ADV Part II is provided to all clients and then updated and offered to each client for review at least once a year. In addition, information is available electronically on the SEC's website.*

2. Do you or a related company have relationships with money managers that you recommend, consider for recommendation, or otherwise mention to the plan? If so, describe those relationships.

*Highland is a totally independent, client paid direct fee-only consulting firm and has no relationships whatsoever with any money managers. Highland's consulting approach focuses upon understanding and meeting client needs. Therefore, money managers are recommended by Highland based solely upon merit and their prospects of achieving client objectives.*

3. Do you or a related company receive any payments from money managers you recommend, consider for recommendation, or otherwise mention to the plan for its consideration? If so, what is the extent of these payments in relation to your other income (revenue)?

*Highland receives no compensation of any kind from any fund manager, third party or other vendor. All of Highland's revenues are derived directly from clients for consulting services rendered, thereby always aligning our interests with the interests of our clients.*



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4. Do you have any policies or procedures to address conflicts of interest or to prevent these payment or relationships from being a factor when you provide advice to your clients?

*Highland's policies and procedures on this subject are clear and simple—we accept no payments except from our clients and we have no relationships except with our clients. Highland's sole financial motivation is to serve our clients.*

5. If you allow plans to pay your consulting fees using the plan's brokerage commissions, do you monitor the amount of commissions paid and alert plans when consulting fees have been paid in full? If not, how can a plan make sure it does not over-pay its consulting fees?

*Highland does not accept payment for consulting services through brokerage commissions, finder's fees, or any other "soft dollar" arrangements. Our fees are clearly listed in a written agreement with each client and invoiced accordingly. A client can easily monitor how much is paid to Highland.*

6. If you allow plans 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?

*Highland receives no consulting fees through brokerage commissions. Highland does help clients evaluate trading practices and will conduct a "best execution" trading analysis for a client, as may be appropriate.*

7. 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?

*Highland has no relationship with any broker-dealer. Highland does not benefit from trading activity with any broker-dealer.*

8. If you are 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?

*Highland recognizes that, as a consultant who receives a fee for advice, we do have a fiduciary duty to our clients and we acknowledge our fiduciary obligation in writing.*

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

*Highland does consider itself to be a fiduciary under ERISA. This is another reason why Highland considers revenue and ownership independence to be of critical importance.*

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

*Highland receives no fees from any third party, including money managers, investment funds, brokerage services or other service providers.*

In addition to Highland's independence and fee-only compensation arrangement with clients, we operate under a strict code of professional ethics. The framework for Highland's standards of practice is based upon and measured by the codes of professional conduct for the CFA Institute (CFAI) and the Investment Management Consultants Association (IMCA).

Highland's goal is to educate fiduciaries regarding the merits of our firm being Investor Advocates®, to our clients and demonstrating to them the value of purely objective advice. Please contact Highland if we can be of assistance.

*1 Selecting and Monitoring Pension Consultants—Tips for Plan Fiduciaries*

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