How do you get paid?

An explanation of how your advisor is compensated and the expenses you incur when investing.

ELGA
WEALTH MANAGEMENT

www.elgawealthmangement.com | info@elgawealthmangement.com | Local: 810-600-4444

Selecting the right investment, creating a retirement income plan, or saving for college are all important. Avoiding the myths and mistakes takes effort, expertise, and sometimes a bit of luck. Getting professional help is often the best decision.

There are many factors to consider when deciding whom to partner with. Licensing, experience, accreditations are all good places to start. Keep in mind not all professionals are created equal when it comes to the services they offer and the products and investments that have at their disposal.

Is your professional a broker, insurance agent, or something else? Some financial planners are investment advisers, but not all investment advisers are financial planners.

You might also consider overall investment expenses. The best advice isn't always free. Your professional is one because he is compensated for their knowledge and experience, and you should have an idea of when and how expenses and fees are applied. Use this guide is designed to help you compare them all.

Below are some categories of financial professionals and where they are often employed. Keep in mind that this is not an exhaustive list. Some professionals may only have one, while others may have more.

Series 6 Licensed Limited Representative

- ❑ Offers: Mutual Funds, Variable Annuities, and similar products
- ❑ Regional and National Bank Programs, National Insurance Agencies
- ❑ Commission Only
- ❑ Suitability Standard

Series 7 Licensed Representatives

- ❑ Offers: Rights, Warrants, Mutual Funds, Money Markets, Unit Investment Trusts, Exchange traded Funds, Real Estate Investment Trusts, Options, Government Securities, Direct Participation Programs, Venture Capital, Municipal Securities, Hedge Funds, Variable Annuities
- ❑ Wire Houses, Independent Broker Dealers, Boutique Offices, Ensemble Practices
- ❑ Commission Only
- ❑ Suitability Standard

Insurance Agent

- ❑ Offers: Fixed Annuities, Equity Index Annuities, Life Insurance
- ❑ Small Offices, Solo Practitioners, National Chains
- ❑ Commission Only
- ❑ Suitability Standard

Registered Investment Advisor

- ❑ Non-Securities licensed, Larger Firms, Institutional Advisors
- ❑ Fee Only
- ❑ Fiduciary Standard

What is a fiduciary standard and how is it different than suitability?

The fiduciary standard of care requires that a financial adviser act solely in the client's best interest when offering financial advice in all instances. This relationship exists when utilizing fee for services plans or fee based asset management programs.

A suitability standard requires a broker or insurance agent make recommendations that are suitable based on a client's financial situation. It does not require the advice to be in the client's best interest. This standard is applied to commissionable products and services.

Some transactions can be held under both standards when using fee for service models.
Fiduciary standards cannot be applied to commission based transactions.

Now we have an idea of the types of advisors that exist, let's take a look at how investment expenses are applied. Below is a list of some common investment expenses and brokerage fees.

- Brokerage account fees: These include annual fees to maintain an account. They may include a subscription fee for research, access to trading platforms, and/or reporting charges for statements and notices. They typically range from $25-$75 a year.

- Trade commissions: Charged by a firm, and/or a broker when you buy or sell certain investments, such as; Stocks, CDs, Bonds, ETF's, REIT's, Options, UIT's, and Mutual Funds. These are per transaction fees and can range anywhere from $4.95 on some platforms to as much as $50 per transaction not withstanding volume discounts or bulk orders.

- Mutual fund transaction fees: Charged by a broker to buy and/or sell some mutual funds. These typically range from $10-$20 per transaction.

- Investment firm or insurance company account fees. If you have an account directly with an insurance company or a financial institutional firm they may charge you an annual fee for the accounts or contract. This annual charge can range from $15-$50 typically. These can be waived once you balance reaches a certain value.

- Expense ratios: Annual fees charged by all mutual funds, index funds and exchange-traded funds, as a percentage of your investment in the fund. ETF's typically have a annual expense range of .15% to .5%. Mutual funds in all forms can range from .25% to 2.5% depending on the type of fund and share class.

- Sales loads: A sales charge or commission on some mutual funds or REIT'S, paid to the trading firm, i.e. custodian, or broker who purchases the fund on your behalf. These can range from 1% to as high as 8% with particular investments.
  ♦Class A shares have a front-end load, which is charged when you purchase the fund. The average is between 2% and 5% which often depends on the amount invested. The higher the amount the lower the charge, which is called a breakpoint. Breakpoints can be applied over time or by linking more than one account at an institution. For example, if you invest $1,000, 5% or $50 is deducted and given to the institution and the broker, $950 is invested.
  ♦Class C shares have a back-end load or CDSC. You do not pay an upfront fee when purchased, however there is 1% exit fee that would apply if the account was closed within 12 months.

- Management or advisory fees: Typically a percentage of assets under management, paid by an investor to all the parties involved with the account which include; a registered investment advisor, the financial advisor, the firm or custodian, and/or robo-advisor. These asset-base charges are set by the advisor and program and can range anywhere from .25% to as much as 2 1/2% not including the underlying mutual fund or ETF annual expenses. These fees are transparent and are deducted directly from the account.

- 401(k) fees: Administrative fees to maintain the plan, often passed on to the plan participants by the employer which include the custodian, the investment options expenses, and the advisor or plan administrator. They are typically a quarter of a percent to as high as 2% and are rolled into the annual expenses of the underlying investments which are often mutual funds.

- 12b-1 fees. These fees, can be as low as .25% but are capped at 1%of your assets. They are deducted from the fund's cash or operating assets to pay for the cost of marketing and selling the fund. They are often paid to the firm and the broker.

- Consulting or Planning Service Fees. Some advisors are compensated directly. They take checks and operate on retainer and are paid annually, hourly, or by project. Clients select from a list of services and or projects that they wish to complete and the advisor publishes the rates. Hourly rates range from $100—$250, annual fees or projects from $1,500 to $5,000 or more.

Commissions

Is a commission something you should hate? Maybe not. Brokers and insurance agents are compensated by firms and investment companies when they execute trades to buy or sell securities or insurance contracts on a customer's behalf. These professionals follow a discovery and suitability standard as well as high compliance requirements. Some argue that this structure can encourage unethical behavior such as placing multiple trades for the purpose of generating more income. Others say that the role is fulfilled by a vetted and licensed professionals following the instructions on behalf of the client. The industry has yet to come up with a acceptable alternative to allow you to pay for the knowledge and advice? In many cases it can be the lowest cost option for the average investor to get access to financial experts and markets.

Broker and Insurance Products and Transaction Fees

Stock and ETF - Minimum $2,500. Trades executed for $50. $2,500 or more, quote is necessary.

Mutual Funds - $250 Minimum Purchase, $15 annual account charge

- A Share ~5% up front fee, annual expense with 12b-1 fees included ~1.25%.
  For Example: $1,000 purchase, 5% deduction, $950 invested, annual asset based charge $11.88 + account fee $21.88
- C Share ~No upfront fee, 1% 1 year exit fee, annual expense with 12b-1 fees included ~1.75%.
  For Example: $1,000 purchase, no upfront fee. CDSC within 12 months $10. Annual expense $17.50 + ac count fee $27.50

Real Estate Investment Trust (REIT) - $2,500 minimum, annual account charge$25

- A share - 11% up front fee, .75% annual management fees.
  For Example: $2,500 purchase, $275 Deduction, $2,225 invested, annual asset based charge $16.69 + account fee $41.69
- T Share - 7% up front fee, .75% annual management fees.
  For Example: $2,500 purchase, $175 deduction, $2,325 invested, annual asset based charge $ 17.44 + account fee $42.44

Variable Annuity - $2,000 Minimum, $50 annual contract charge based on amount.
Mortality and Expense Fee .85% to 1.55%,
Admin Expense .15% to .25%, Sub Account Expense ~.45% to 2.2%,
Optional Insurance riders expense ranges
Death benefit enhancement .3%to 1%
Earnings Benefits Rider .3% to .4%
Guaranteed Income Payment Riders .7% to 1.25%
For Example: $10,000 deposit, No upfront fee, Annual Expense ~2.25%,
Annual Fee $225 + $50 contract fee - Total Expense $275

Mutual Fund (MF) Breakpoints in Action:

♦A Share example:
$25,000 MF Purchase 5% upfront fee is $1,250 plus annual expense 1.25% equals $296.88 a year
$75,000 MF Purchase 4.5% upfront fee is $3,375 plus annual expense 1.25% equals $895.32 a year

♦C Share Example
$25,000 MF Purchase 0% upfront, 1% 12 month CDSC, 1.75% annual expense $437.50 year
$75,000 MF Purchase 0% upfront, 1% 12 month CDSC, 1.75% annual expense $1,312.50 year

Insurance Agent Compensation

Most all insurance products and annuities pay a commission. This compensation is “built in” to the product and is reflected in the guaranteed rates, time commitments, and features of the products. For example, if you put $100,000 into an annuity, you will see $100,000 on your first statement. However, stating that the account has “no fee”, is a play on words. If an agent tells you that there is never a cost you, think twice about using them or their services. It’s also important to understand that annuity commissions can range from 1% to over 10%, depending on the product. The commission correlations are easy to remember. The longer the surrender charge or the more complex the annuity is, the higher the commission. Simpler annuities have lower the commissions and shorter surrender charges.

- Fixed Annuity - $5,000 minimum No Upfront Fee. Surrender charges equal 3, 5, 7, 9, & 10 years.
  For example: 10% Free withdrawal. 5 year commitment surrender charges. Year 1 –8% 2– 7% 3-6% 4-5% 5-4%
  Commission Payable to Agent 1% to 5% based on the deposit

- Equity Index Annuity - $5,000 minimum No Upfront Fee. Surrender charges equal 3, 5, 7,9, &10 years.
  For example: 10% Free withdrawal. 5 year commitment surrender charges. Year 1 –10% 2– 9% 3-8% 4-7% 5-6%
  Commission Payable to Agent 1% to 10% based on the deposit

Fee Based Management / Non-Commission Compensation

Asset based charges are the original “go to,” fee structure in the financial advisory and wealth management industries. It involves an advisor or investment management firm charging clients an annual fee as a percentage of the assets being managed, commonly known as Assets Under Management or AUM.

Certified Financial Planners™, Financial Advisors, RIAs, and wealth managers still use this fee structure for its simplicity in design and implementation. A client hires an advisor an allocates particular amount to them. They the hire a manger or invest in various securities on the clients behalf. The investments and management follow a specific goal, investment strategy, and risk tolerance. In return, the investment manager charges an annual percentage of the assets entrusted to the wealth management firm. There are no commissions with these arrangements but there can be as many as four separate entities involved with the accounts, the advisor, the custodian who holds the funds and places the transactions and sends statements, the asset manager or sponsor who is in charge of the investment decisions, and the representatives back office who helps establish the accounts and monitor it for compliance purposes.

Asset Based Charges $10,000 / $25,000 / $50,000 / $100,000 / $250,000 \ $1,000,000 program minimums
Sponsor Fee - Asset Manager .35% to 1.25%, Custodian Fee - $40, Advisor Fee - .5% to 1.25%
For Example: $100,000, 1.75% or $1,750 a year taken quarterly directly from the account being managed

Financial Consultation and Services Menu:

Our fees are designed to allow you to be in the drivers seat with regards to your planning priorities. There is never a fee for your initial consultation. All services can be paid by check or may be deducted directly from the checking or savings account of your choice, one time or systematically. One or more services may be bundled for cost savings. All service engagements must be agreed upon prior to execution of the services or payments received.

Hourly Planning Rate	$200
Client Discovery and Organization	$400
Estate Planning Review	$400
Charitable Giving	$400
Qualified Retirement Plan Review (401k), 403(b), 457, SEP, Simple	$400
Portfolio Review and Morningstar® Analysis	
Risk Assessment, Investment Comparison, and Asset Allocation	$500
College Education Planning	
College Funding, Plan Comparison, Cost Estimates	$400
Insurance Policy and/or Life Insurance Review	$400
Retirement Planning/ Financial Forecast	
Retirement Income Projection, Asset Allocation and Risk Assessment, Beneficiary Review	$1,500
Roth Conversion Analysis	$350
Comprehensive Plan All Services	$5,000
Emoney Subscription	$50

ELGA Wealth Management. is a credit union investment advisory and financial planning practice based in Flint, Michigan. The program was started in 2002 in an effort to be different from the traditional firms, brokers, and insurance agents you see today.

Our investment and insurance professionals assist clients and business owners from all walks of life. Whether you have 30 years or 30 days from retirement we help you become more confident in your ability to care for yourself and your family.

We help protect your assets now and through retirement with our common sense client centered approach. We create complete plans for our clients that are easily understood, work on their time schedules, and help them achieve their goals.

As an independent office we have no proprietary products and services which frees us from many conflicts of interest. The confidence that our clients enjoy is born from the strength of our relationship. Our professionals work for your benefit and have access to vast products and services that compliment our specialties. Whether you need help with an old 401k, savings for college, od planning for retirement we stand ready to serve you.

Simple | Effective |Convenient

www.elgawealthmanagement.com | info@brassringwealth.com

Local: 810-600-4444 | 2303 S. Center Rd Burton, MI 48519

ELGA
WEALTH MANAGEMENT

To receive the 2013 Five Star Wealth Manager award, researched and managed by Five Star Professional, a wealth manager must meet 10 objective eligibility and evaluation criteria associated with wealth managers who provide quality services to their clients. 2,762 wealth managers in the area were considered for the award.749 were named 2013 Five Star Wealth Managers which represents less than 28% of the total wealth managers in the area. Wealth managers do not pay a fee to be considered or placed on the final list of 2013 Five Star Wealth Managers. The Five Star award is not indicative of the wealth manager's future performance.

To receive the 2014 Five Star Wealth Manager award, researched and managed by Five Star Professional, a wealth manager must meet 10 objective eligibility and evaluation criteria associated with wealth managers who provide quality services to their clients. 3,448 wealth managers in the area were considered for the award.658 were named 2014 Five Star Wealth Managers which represents less than 20% of the total wealth managers in the area. Wealth managers do not pay a fee to be considered or placed on the final list of 2014 Five Star Wealth Managers. The Five Star award is not indicative of the wealth manager's future performance.

To receive the 2015 Five Star Wealth Manager award, researched and managed by Five Star Professional, a wealth manager must meet 10 objective eligibility and evaluation criteria associated with wealth managers who provide quality services to their clients. 2,238 wealth managers in the Detroit area were considered for the award. 627 were named 2015 Five Star Wealth Managers which represents less than 29% of the total wealth manages in the area. Wealth managers do not pay a fee to be considered or placed on the list of 2015 Five Star Wealth Managers. The Five Star award is not indicative of the wealth managers future performance. Wealth managers do not pay a fee to be considered or awarded. Once awarded, wealth managers may purchase additional profile ad space or promotional products. The award methodology does not evaluate the quality of services provided and is not indicative of the winner's future performance. Wealth managers may or may not use discretion in their practice and therefore may not manage their client's assets. The inclusion of a wealth manager on the Five Star Wealth Manager list should not be construed as an endorsement of the wealth manager by Five Star Professional, HOUR Detroit or DBusiness. Working