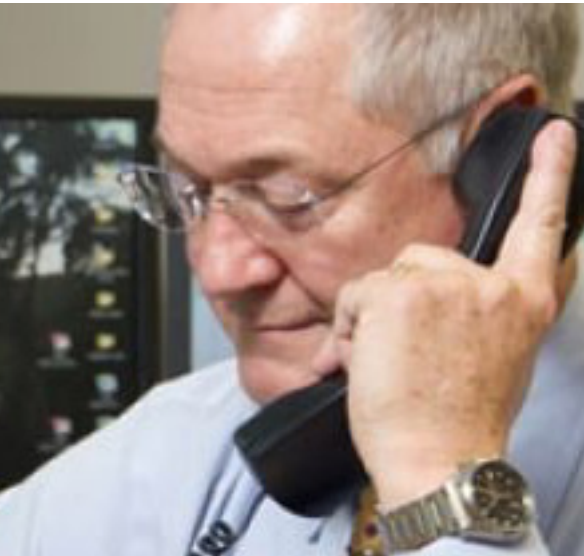


Case Study: Harold Grubbs, RFC, AIFA®

The Fiduciary Expert's Marketplace



Because they aren't typically insurance licensed, and they don't take commissions, Registered Investment Advisors like Harold Grubbs have had to outsource annuity-related client needs, or ignore them. Annuities have also been so complex and expensive that their essential value, tax deferral, has been neutered. But a new generation of low-cost, fee-based VAs have transformed the industry. With partner experts like RetireOne, firms don't need to be insurance experts. Now formerly held-away assets can live in house, under the management of fiduciaries.

Firm Details

Founded in 1982 Financial Management, Inc. is one of the oldest independent financial advisory firms in Arkansas. FMI provides fee-based investment advisory and fiduciary consulting services to individuals, institutions and investment stewards across the United States.

Benefits

- Low-cost, transparent investments fit fiduciary model
- Expert, high-touch service
- No commission, no surrenders

Harold Grubbs, president of Financial Management, Inc., doesn't subscribe to the notion that he or his advisors can know everything. As one of 114 firms certified by the Center For Fiduciary Excellence (CEfEX® - as of 3/28/2018), Financial Management of Little Rock, Arkansas is remarkable for their expertise in and diligent commitment to the fiduciary standard of care.

The firm focuses primarily on managing money and lends their expertise to other businesses, trusts, and non-profits as fiduciary consultants. But they don't try to be all things to all people. "We don't have to be an expert at a number of things," He says, "we just have to be very good and prudent about what we do in a few things."



Its not what you do, but how you do it

A fee-only shop since the 1980s, Mr. Grubbs has carefully guided their growth as President, with an atypical goal in mind. “We’re the second oldest advisory firm in the state, but we are not the largest, and that’s by design. Because we don’t necessarily want to be the Walmart for money management and fiduciary services,” He says. “We’re trying to differentiate ourselves from the marketplace, not in terms of what we do, but more on how we do it.”

That includes offering unbiased, non-conflicted advice, and working with experts who ‘extend his bench’ by offering analysis into client needs with which he and his team may be unfamiliar. For insurance and annuities, Harold and his team call on RetireOne, the leading independent platform for fee-based insurance solutions. The upshot is that his advisors don’t need insurance licenses to work with RetireOne.¹

And because the platform offers multiple solutions from “A”-rated providers, he can be sure his clients come first.

“I’m leaning on RetireOne a good bit, so we’re really appreciative of the fact that there is a third party there, and that we can access multiple products through that third-party resource,” He says.

Working with RetireOne, they’ve been able to locate low-cost, transparent investment-only

variable annuities for clients whose assets were stuck in expensive, old annuities. The fee savings, on average, is more than \$2,000 in the first year alone²—A compelling client value.

“It helps us demonstrate best practices and compliance to a fiduciary [standard of care],” he adds. “I think that that’s where we find a lot of people. We help them find a way to reduce the cost of being stuck there or transitioning out of that product.”

The ‘Tickled Pink’ Bookkeeper

When Mr. Grubbs encounters an expensive old annuity like he did in a recent CPA client portfolio,

he calls on his team of RetireOne consultants to run comparisons and analyze product features. “We really take a sharp pencil when we start looking at these, because we’ve got to justify everything we do, and ensure [we select] the best of any other alternative that’s available. Low mortality [and

expense] fees, low sub-account fees, institutional priced funds, fund selections, those are all important things to us,” he says.

A referral from another long-time client, this investor was advised by his agent to 1035 Exchange from one expensive, old variable annuity into another, low-quality VA. Proposal in hand, he walked into Mr. Grubbs’ office. Harold knew he could do better. “I said, ‘Let me break this down for you and show you what you’re paying and show

“I’m leaning on RetireOne a good bit, so we’re really appreciative of the fact that there is a third party there, and that we can access multiple products...”



you what the expenses are. We'll throw the hood up on this thing, and I'll show you how it works. And I'll layer every cost for you, and then I will give you the options."

He called Jon Hatten at RetireOne and uploaded a client statement to the RetireOne secure file sharing service. Jon looked at current product features, compared several efficient alternatives, and sent back an illustration showing how much less the CPA would pay in insurance fees and underlying fund expenses. "I presented that to the client, and he called his wife and said, 'We're changing.'"

The team at RetireOne then pre-filled a client application and securely delivered it to Mr. Grubbs. He reviewed, signed it with his clients, and began the process of moving the assets. The RetireOne team then handled all of the suitability requirements.

"We've gone through that process hundreds of times with clients who had annuities, and they couldn't get out of them. And every time they got through a surrender period, their agent was going to come back and re-up them with another one, and re-commission, and then lock into another...I've seen them [with surrender periods of] 13 years!" says Mr. Grubbs. Fortunately, with the new generation of client-centric, fee-based variable annuities, finding suitable replacements means his clients don't have to be stuck in these expensive, illiquid investments.

And how did his new CPA client react? "He's tickled pink," Harold says, "He and his wife both, and now that they understand what happened...I mean, he's a practicing CPA, so he is going to be looking at every client that he has, to see if any of them are

exposed to the same type of expenses that he has been exposed to."

It's About the Relationship

Building a business around the fiduciary standard of care means that Financial Management keeps their clients' best interests at the center of everything they do. They don't issue quotas, have contests, or give out sales plaques.

Harold says, "A lot of times people are focusing, what they view as business conversation around 'are you getting bigger, are you getting faster, are you getting sexy,' or whatever it is, and I just don't subscribe to that." In their model, people come first.

"One of the conversations people will have with me is 'Well, what's your minimum?' I say 'Let me put it this way. The guy that vacuums the carpets in our office? He's a client. And we have other clients with seven or eight zeros on their balances.' So it's not about the dollars," he adds, "It's about the relationship and whether or not we can be of service and meet expectations."

To Harold Grubbs, 'being of service' means focusing on and doing what he does best and leaning on the right people to help out when he needs it. He and his team appreciate being able to count on the independent and unbiased annuity and insurance analyses from the experts at RetireOne.

Nearing retirement age himself, Mr. Grubbs is very passionate about helping investors meet their investing goals. "I love what I do, and I'm still doing it, and I never plan to quit until I become irrelevant, or I just don't show up one day!"





1 Insurance laws and regulations vary from state to state. If you do not have an insurance license, you should be aware of the specific rules that apply in your state. Please consult with an attorney in your state for guidance.

2 Assumptions: \$200,000 invested in an annuity charging 45 bps in M&E fees vs. an annuity that charges 135 bps in M&E fees. Comparison does not factor for underlying fund expenses. 135 bps is the average M&E charged by VAs according to Morningstar (1/18).

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