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**THE FIDUCIARY DEBATE: CONFUSION PERSISTS
AMONG FINANCIAL ADVISORS AND INVESTORS ALIKE**

*4 in 10 Financial Advisors Say – Incorrectly -- All Advisors Subject to Fiduciary Standard;
Less than One Third of Investors Understand How/When Standard Applies*

Confusion Aside, Advisor/Client Relationships are Healthy – and More Important Than Ever – In the Face of Investor Mistrust of Financial Services Companies

Why Wait Out the Debate? When It Comes to Their Financial Advisors, Clients Say Actions Speak Louder than Words -- or Regulation

*Trust, Rapport and Communication as Important as Performance in Selecting a Financial Advisor;
Clients Looking for Transparency, Greater Clarity on Fees and Expenses*

*Investnet Sees “Fiduciary Opportunity” for Financial Advisors Who Align with Clients,
Creates Advisor Website – **thefiduciaryopportunity.com** – with Fiduciary Tool Kit*

NEW YORK CITY, June 28, 2010

For all the discussion about fiduciary standards, investors and financial advisors alike remain confused on how and when the standards apply and on their implications for advisor-client relationships, according to the results of a survey released here today by Investnet, a leading provider of wealth management solutions to the advisory industry.

However, the survey suggests that even after two years of economic and market upheaval, relationships between financial advisors and clients are fundamentally strong. Financial advisors today have a compelling opportunity to solidify client relationships -- and attract the business of long-term, service oriented investors -- by acting foremost for the investor.

Financial advisors and investors alike are unclear on the nature of advisors' formal obligation to their clients. More than four in 10 financial advisors polled by Envestnet (including 63% of wirehouse brokers and 29% of registered investment advisors, or RIAs) say that, to the best of their knowledge, all financial advisors currently are subject to *the same obligation* to act in their clients' overall best interests. About four in 10 investors agree, but one third of investors say they are not sure. (In fact, only RIAs are currently subject to the fiduciary standard to hold the client's interest above its own in all matters; brokers are generally subject to the less stringent transactional suitability standard).

"Even as legislators at the national level debate whether all financial advisors should follow a uniform professional standard, it's clear that many financial professionals -- and certainly the great majority of investors -- don't know how to accurately define the scope and nature of an advisor's responsibility to clients," said Bill Crager, Envestnet president.

"But what's also clear from our research is that when it comes to signaling their commitment to their clients, financial advisors need not -- and should not -- wait for new regulatory direction," Crager said. "Investors want advisors to have their best interests at the heart of the relationship and deliver a heightened level of service *now*."

"Regardless of how the regulatory discussion is resolved -- or even if it remains unresolved -- financial advisors can strengthen relationships and client loyalty by demonstrating their dedication to doing what they believe is best for every client," he said.

The poll of 504 financial advisors (171 wirehouse brokers, 167 advisors at regional/independent firms, and 166 RIAs) and 1,023 investors (761 advised and 262 unadvised) was conducted between April 14 and April 30, 2010 by the national polling firm Mathew Greenwald & Associates. So that the views of investors with advisors were well

represented in the poll, approximately three quarters of the investor sample was allocated to advised investors via use of a quota. A similarly sized random sample of 504 advisors would have a margin of error of +/-4.4% at the 95% confidence level; a similarly sized random sample of investors would have a margin of error of +/-3.1% at the 95% confidence level.

Clients Value Advisors – But Skepticism About the Industry Persists

In the wake of nearly unprecedented market tumult, advised investors say they have realized considerable value from their advisory relationships.

Nine of 10 advised investors say that over the past 18 months, “my advisor always acted with my best interests at heart” and eight in 10 agree that the “value I have received from my advisor is more than worth the cost.” About two thirds of advised investors say their portfolio has done better over the past two years compared with most people they know.

When asked to grade their primary financial advisor on key relationship attributes, advised investors are generally approving: Just under three quarters (74%) award their advisor an “A” for integrity, 65% give them an “A” for availability and responsiveness, and more than half give that mark for “looking out for me” and “focusing on (my) goals.”

But as strong as advisory relationships seem to be, market turmoil has taken a toll: Financial advisors and investors alike agree that investors are more cynical today about the financial services industry.

“Individual relationships have weathered the market storm, but there is no question that overall the financial services industry has taken a reputational hit,” Crager said. “While investors generally feel well served by their financial advisors, the extreme market disruptions of the last two years have provoked considerable investor concerns about the integrity of the financial services industry and of the markets alike. In an era like this, it is more important than ever for advisors to build strong personal brands and to demonstrate a clear and abiding alignment of interests with their clients.”

Differing Views of What's Driving Fiduciary Discussion

The issue of financial advisors' professional responsibility has been under close scrutiny at the Federal level for months, with Congress weighing a proposal to make all financial advisors subject to the formal fiduciary standard as part of pending legislation for financial services industry reform.

Relatively few financial advisors or investors, however, seem to have been following the legislative discussion closely. Just 18 percent of advisors (12 percent of wirehouse brokers and 22 percent of RIAs) say they are "very familiar" with the debate on fiduciary standards; nearly three quarters of investors say they are either not very familiar with the discussion (50 percent) or not familiar at all (23 percent).

Nor do financial advisors and investors necessarily see eye-to-eye on what's been driving the debate.

Financial advisors and investors generally agree that external factors such as high profile scandals like Bernie Madoff and the market collapse of 2008-2009 have been big factors shaping a heightened focus on professional responsibility.

But investors – to a much greater degree than financial advisors – cite damage to personal financial security, growing investor empowerment, and a loss of trust in advisors generally (personal satisfaction notwithstanding) as significant reasons why financial advisor responsibility is now under such close examination. For investors, key factors behind the fiduciary debate include "investors are demanding it" (57 percent of investors vs. 18 percent of financial advisors), "investors have lost trust in advisors" (58 percent vs. 34 percent), "too many people lost too much money" (57 percent vs. 37 percent), and "concern that people will not be able to afford retirement" (43 percent vs. 21 percent).

"Investors generally trust their own financial advisors -- but they also believe that the advisory profession and the financial services industry have trust issues," said Crager. "The advisory profession needs to understand this emerging trust issue, and deal forthrightly with the underlying issues and perceptions."

It's not only investors who believe that financial advisor-investor trust needs some reinforcement: Most financial advisors polled by Envestnet said they agree that while

they look after their clients' best interests, a lot of other advisors do not. And -- while they grade themselves highly on explaining their professional responsibility to clients -- financial advisors give advisors in general a "C" when it comes to this attribute.

Fees and Compensation a Sticking Point

As high as clients rank their financial advisors on many relationship qualities, it also is clear that for many investors, the overall issue of fees and compensation remains a considerable sticking point.

When asked to grade financial advisors on specific attributes, clients score advisors least highly (either an A or B) on "transparency of fees"; just 40 percent of advised investors say their advisor explains very clearly how they are compensated, and only a little more than half say their advisor explains very clearly the fees they pay.

Advised investors strongly agree (75 percent) that "advisors should not receive hidden incentives to choose one investment over another for their clients." But at the same time, more than half of advised investors agree they can't assess well whether their financial advisor gets such incentives. Nor can many assess well how their advisor gets paid (43 percent) and whether or not there are any hidden fees (46 percent).

When it comes to fees and expenses, financial advisors don't necessarily perceive an issue: 98% of advisors believe (74% strongly) that they "make an active effort to discuss with their clients all of the costs and fees associated with an investment." Six in 10 financial advisors report that they disclose a great deal to their clients about the total cost of doing business with them, though RIAs are the most likely to do so (71 percent).

What's more, many financial advisors feel they would be disadvantaged if they were more forthcoming. About four in 10 agree that until everyone is required to follow the same fiduciary standard, it is a competitive disadvantage to disclose certain expenses.

"Something is getting lost in the discussion between financial advisors and clients about fees and expenses," Cramer said. "It's hard to build a foundation of trust when your client feels you're withholding certain information. Compensation-wise, advisors may feel like they're providing an appropriate level of detail -- but many clients feel under-informed. Any advisor looking to reinforce a perception of client focused service should

start by having a transparent approach to fees – and redouble efforts to help their clients understand and feel comfortable with what they’re paying.”

The Fiduciary Standard: Actions Speak Louder than Words

The Envestnet survey suggests that investors are keenly interested in better understanding the professional responsibilities and obligations of financial advisors – and would look favorably on advisors who take steps to communicate that responsibility, regardless of whether a uniform professional standard is ever regulated.

Most of the investors surveyed support a regulation that would hold all financial advisors to the same standard of client service, and they also agree that a universal fiduciary standard would help build confidence in the value of an advisory relationship.

But investors (69 percent) also agree that fiduciary responsibility cannot be legislated – and that “you must rely on the advisor’s integrity.”

Nearly three quarters of advised investors said they would have more confidence in a financial advisor who offered a “bill of rights” specifying what the client is entitled to and how the advisor works.

However, only four in 10 advised investors say their financial advisor has ever formally explained their fiduciary responsibility to them. And only about one third of advisors say they have a formal “code of conduct” that they discuss with clients in addition to what’s required from a fiduciary standpoint.

“Investors aren’t holding their collective breath waiting for regulation to change – and they don’t believe that new regulation is the only meaningful response to the issue of advisory responsibility,” Crager said.

“Fundamentally, investors believe that when it comes to encouraging confidence and trust, what occurs in the interaction between financial advisor and client is far more important than what a regulation says,” he said. “But the issue then becomes, how well prepared are advisors to deliver on fiduciary responsibility?”

Financial Advisors Could Be Better Equipped as Fiduciaries

Financial advisors' perceptions of their "fiduciary preparedness" suggest that many could do better in communicating and executing their responsibility to their clients.

Most financial advisors feel that when it comes to being a fiduciary they are nearly there already: Just two in 10 advisors believe that it would be difficult to conform their practice to meet a new, industry-wide higher fiduciary standard. To this group of financial advisors, the biggest burdens in conforming their practice would be the time commitment (cited by 27% of advisors), knowing what's required (23%), and recordkeeping (17%).

But at the same time, fewer than half of all financial advisors say they are "very well prepared" to act as a fiduciary regarding such key relationship functions as developing a full view of the client's life goals and financial situation; development and maintenance of the investment policy statement; ongoing client communications, updating the financial plan for changing circumstances, and disclosure of investment costs and fees.

Many financial advisors want more support and information, as well. Just 37% of advisors strongly agree that their firm provides the back office support they need to exercise fiduciary responsibility, and only three in 10 strongly agree that "my firm has helped me understand fiduciary responsibility."

At the same time, two thirds agree they wish their firm would provide them with a roadmap or checklist on how to fulfill their responsibilities as a fiduciary. Nearly eight of 10 say they would be interested in online tools that showed how to fulfill responsibility as a fiduciary. "When it comes to acting as a fiduciary, financial advisors are looking for support at the firm level as well as guidance on how to exercise their responsibility day to day, in each interaction with a client," Crager said.

To a large degree, financial advisors recognize the opportunity at hand: About nine of 10 agree that "what people don't realize is that following a fiduciary standard is actually good for business."

"Industry consolidation and the movement of many financial advisors into the independent world means that more and more, advisors aren't operating under the umbrellas of well-established, robust advisory brands," Crager said. "Increasingly, as a

financial advisor, you are your own brand. Acting as a fiduciary can go a long way toward establishing a powerful, readily perceived alignment with a client’s deeply held interests and goals.”

Investnet Offers Support for Fiduciary Practice

To help financial advisors formalize and make oversight of practice activities more transparent, Investnet has developed a 10-step fiduciary process designed to assist advisors in holding the client’s interest above its own in all matters.

The fiduciary process covers such critical steps as risk assessment and investment policy, asset allocation strategy, research and due diligence of investment managers, portfolio construction, proposal and presentation, investment and administration, account management and overlay services, reporting and compliance, and communication and education.

Investnet helps financial advisors execute the process via an integrated, back-to-front-office set of solutions that provides advisors with the tools to construct appropriate portfolios for their clients and serve them on an ongoing basis with a fiduciary standard of transparency and care.

“We want to empower financial advisors and institutions to meet their clients’ most ambitious goals, with confidence that their fiduciary responsibility is being well-supported,” Crager said. “Our goal is to help financial advisors help their clients make smarter decisions, build stronger portfolios and look to their futures with greater confidence – indispensable steps for advisors in building the very strongest client relationships.”

Investnet also offers a Website -- thefiduciaryopportunity.com – with an Investnet Fiduciary Opportunity Toolkit to help financial advisors better understand and realize the fiduciary opportunity to strengthen client loyalty and grow business. Documents included in the toolkit are “The Fiduciary Opportunity: Succeeding in a Changing Advisory Landscape” white paper; “The Brave New World of Fiduciary Duty for Broker - Dealer and Investment Advisers” white paper; “Results: Investnet Fiduciary Standard Study”; and “Standard of Care Checklist”.



ABOUT ENVESTNET

Envestnet is a financial advisor's gateway for wealth advisory solutions. Through an integrated technology platform, the company offers a broad range of investment products as well as fee-based services and solutions that include extensive reporting capabilities and front-, middle-, and back-office administrative tools to the independent financial advisor.

Envestnet is headquartered in Chicago with offices in Boston, Denver, New York, Silicon Valley and Trivandrum, India. The firm has over \$94 billion in total assets served and more than 685,000 investor accounts.*

** Data includes assets under management and administration and licensing agreements as of 3/31/2010.*

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