



SECURITY BENEFIT  
ADVISOR MUTUAL FUND PROGRAM

# Understanding Regulation Best Interest (Reg BI) and Your Obligations to Clients

DUE DILIGENCE CHECKLIST

# Understanding Regulation Best Interest (Reg BI)

Reg BI is a 2019 Securities and Exchange Commission (SEC) rule that requires broker-dealers and financial professionals to provide transparency to clients by recommending products that are in their clients' best interests and to identify and disclose any potential conflicts of interest or incentives the broker-dealer or financial professional may have with respect to those products.

In the past, a broker-dealer and its financial professionals were only held to the “suitability standard” when advising their clients — they only had to recommend investments that were suitable, but not necessarily in their clients’ best interest. This new rule requires financial professionals to put their clients’ interests above their own interests.

## What are some examples of client recommendations subject to Reg BI?

- Securities transaction
- Investment strategies, such as opening a brokerage or advisory account or taking a distribution from a retirement plan
- Rollover or transfer of assets from one type of account to another, such as rolling a 401(k) to an IRA
- Explicit and implicit hold recommendations, such as when a broker-dealer broker agrees to monitor a customer’s account and makes no subsequent recommendation to buy or sell a security

## Your Obligations to Your Clients

1. **Disclosure** — Disclose all material facts about your product recommendation, your relationship with your client, and any conflicts of interest associated with your recommendation.
2. **Care** — Exercise reasonable due diligence, care, and skill when recommending a product that’s in the best interest of your client, including understanding the risks and rewards associated with your recommendation and having a reasonable basis to believe the recommendation is in the best interest of your client.
3. **Conflict of Interest** — Establish, maintain, and enforce policies and procedures designed to identify, disclose, mitigate, and/or eliminate any conflict of interest.
4. **Compliance** — Establish, maintain, and enforce written policies and procedures to provide compliance with Reg BI.

## Understand Your Clients Needs and Differentiate Your Practice With the Advisor Mutual Fund Program

The Advisor Mutual Fund Program provides multiple investment options to create client portfolios for all client life stages, featuring over 140 investment options with brand names like Vanguard Funds®, American Funds®, Fidelity®, BlackRock®, and T.Rowe Price®.

- 31 different fund companies
- 31 different asset classes
- Free exchanges between funds

- Target Portfolios by Mesirow®
- Target Date Funds<sup>1</sup>
- Vanguard Index Funds®

### Services

- Easy and efficient enrollment
- Automatic rebalancing
- Automatic dollar cost averaging
- Systematic withdrawals

- A mobile app experience that helps your clients fiscally, physically, and emotionally
  - My Security Benefit Mobile app for easy account access
  - Financial and health wellness with a built-in rewards system<sup>2</sup>
  - Earn gift cards for taking classes and reading articles to places like Starbucks, Target, Amazon, and many more

### Commissions and Fees

Select from flexible options to customize your clients' servicing needs.

<sup>1</sup> The principal value of target date funds is not guaranteed at any time, including at or after the target date, which is the approximate date when investors turn age 65. The funds invest in a broad range of underlying mutual funds that include stocks, bonds, and short-term investments and are subject to the risks of different areas of the market. The funds emphasize potential capital appreciation during the early phases of retirement asset accumulation, balance the need for appreciation with the need for income as retirement approaches, and focus more on income and principal stability during retirement. The funds maintain a substantial allocation to equities both prior to and after the target date, which can result in greater volatility.

<sup>2</sup> Rewards provided by a third party.

# Due Diligence Checklist

There are many factors to consider when making a product recommendation to a client. Below is a Due Diligence Checklist you can use to assist in your evaluation of whether recommending the Advisor Mutual Fund Program is in your client's best interest.

Important note: the following checklist is not exhaustive, but does provide potential examples and an opportunity to document your best interest discussion and recommendations with clients during the sales process.

This Due Diligence Checklist should not be considered legal advice and should only be used as a supplement to the written policies and procedures of your broker-dealer.

Key factors for the decision:

Criteria	Option A	Option B	Option C
Briefly describe options being considered.	<input type="checkbox"/> _____ _____	<input type="checkbox"/> _____ _____	<input type="checkbox"/> _____ _____
Investment options available	<input type="checkbox"/> _____	<input type="checkbox"/> _____	<input type="checkbox"/> _____
Fees and expenses (for both investment options and account-related fees and expenses). Includes whether the employer pays for some or all of the plan's administrative expenses.	<input type="checkbox"/> _____ _____ _____ _____	<input type="checkbox"/> _____ _____ _____ _____	<input type="checkbox"/> _____ _____ _____ _____
Differing service levels available	<input type="checkbox"/> _____	<input type="checkbox"/> _____	<input type="checkbox"/> _____
If applicable, please document the reasons that the new arrangement is in the best interest of the client, including specifically the services that will be provided for the fee/compensation.	<input type="checkbox"/> _____ _____ _____ _____ _____	<input type="checkbox"/> _____ _____ _____ _____ _____	<input type="checkbox"/> _____ _____ _____ _____ _____

## Solution Specific Due Diligence

Criteria	Product Name Advisor Mutual Fund Program	Product Name	Product Name
Diverse mutual fund investment options	<input checked="" type="checkbox"/> 140+ options from 31+ investment managers, covering 31+ asset classes <input checked="" type="checkbox"/> No proprietary funds <input checked="" type="checkbox"/> Multiple investment options, including: Target Date Funds, Target Portfolios by Mesirow®, and Passive Portfolios with the Vanguard® Index Funds <sup>3</sup>	<input type="checkbox"/> _____ _____ _____ _____ _____	<input type="checkbox"/> _____ _____ _____ _____ _____
Type of money	<input checked="" type="checkbox"/> Rollovers or transfers from qualified plans <input checked="" type="checkbox"/> 403(b)(7), Roth IRA, Traditional IRA, SEP IRA, and SIMPLE IRA	<input type="checkbox"/> _____ _____ _____	<input type="checkbox"/> _____ _____ _____
Third-party allocation guidance	<input checked="" type="checkbox"/> Third-party allocation guidance (e.g. Morningstar or equivalent third-party source). This ensures third-party asset allocation and fund selection from an objective source.	<input type="checkbox"/> _____ _____ _____ _____	<input type="checkbox"/> _____ _____ _____ _____
Morningstar Ratings <sup>3,4</sup>	<input checked="" type="checkbox"/> 52% are 4-star or higher <input checked="" type="checkbox"/> 14% are 5-star	<input type="checkbox"/> _____ _____	<input type="checkbox"/> _____ _____
Fees	<input checked="" type="checkbox"/> Annual Account Fee — up to \$35 per year may apply. Contact your plan administrator or financial professional for more detail <input checked="" type="checkbox"/> Record Keeping Fee — <ul style="list-style-type: none"> <li>• Option 3 — 1.00% (annual fee — unitized and assessed daily)</li> <li>• Option 4 — 0.35% (annual fee — unitized and assessed daily)</li> <li>• Fee Based Option — 0.25% (annual fee — assessed monthly)</li> </ul>	<input type="checkbox"/> _____ _____ _____ _____ _____ _____ _____ _____	<input type="checkbox"/> _____ _____ _____ _____ _____ _____ _____ _____

<sup>3</sup> Refer to the funds' overall Morningstar rating.

<sup>4</sup> As of 09/30/2021. Morningstar Rating for investment options is a proprietary Morningstar data point. Morningstar rates investment options from 1 to 5 stars based on how well they've performed (after adjusting for risk and accounting for any applicable sales charges) in comparison to similar investment options. Within each Morningstar Category, the top 10% of investment options receives 5 stars and the bottom 10% receives 1 star. Investment options are rated for up to three time periods - three-, five-, and 10-years and these ratings are combined to produce an overall rating. Investment options with less than three years of history are not rated. Ratings are objective, based entirely on a mathematical evaluation of past performance. They're a useful tool for identifying investment options worthy of further research, but shouldn't be considered buy or sell signals.

## Solution Specific Due Diligence Continued

Criteria	Product Name Advisor Mutual Fund Program	Product Name	Product Name
Fees continued	<input checked="" type="checkbox"/> Purchase Loads <ul style="list-style-type: none"> <li>• Option 3 — 0%</li> <li>• Option 4 — 5.50%</li> <li>• Fee Based Option — 0%</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>
	<input checked="" type="checkbox"/> Contingent Deferred Sales Charge <ul style="list-style-type: none"> <li>• Option 3 — Year 1, 1%; Year 2, decreases to 0%; Non-rolling</li> <li>• Option 4 — None</li> <li>• Fee Based Option — None</li> </ul>		
	<input checked="" type="checkbox"/> Withdrawal Fee — a \$25 fee may apply for any withdrawals not requested online through the participant account at SecurityBenefit.com.		
	<input checked="" type="checkbox"/> Investment advisory fees, which may be disclosed separately by a financial professional and agreed to by the client by submitting an Application for the Account.		
	<input checked="" type="checkbox"/> An additional asset based fee of 0.45% applies to assets held in the Vanguard funds.		
	<input checked="" type="checkbox"/> An additional asset based fee of 0.10% applies to assets held in American Funds®.		
	<input checked="" type="checkbox"/> Other fees: <ul style="list-style-type: none"> <li>• No setup fee</li> <li>• No front-end loads</li> <li>• No back-end loads</li> <li>• No account closing fee</li> <li>• No transaction fees</li> <li>• No ticket charges</li> <li>• No charge for automatic rebalancing dollar cost averaging</li> <li>• No fee for RMD payments</li> <li>• No charge for systematic withdrawals</li> </ul>		

Solution Specific Due Diligence Continued			
Criteria	Product Name Advisor Mutual Fund Program	Product Name	Product Name
Other features	<div><input checked="" type="checkbox"/> Automatic Rebalancing – updating your current balances according to your future investment elections</div> <div><input checked="" type="checkbox"/> Dollar cost averaging – automatically invest a set amount over a pre-determined period of time</div> <div><input checked="" type="checkbox"/> Free exchanges – flexibility for clients to make changes without additional fees</div> <div><input checked="" type="checkbox"/> Loans – only available for 403(b)(7) accounts (if allowed by the plan)</div> <div><input checked="" type="checkbox"/> Mobile app<ul style="list-style-type: none"><li>• 24/7 account access</li><li>• Financial wellness and health topics</li></ul></div>	<div><input type="checkbox"/></div>	<div><input type="checkbox"/></div>
Forms – administrative efficiency	<div><input checked="" type="checkbox"/> Simple application with all funds listed in one convenient spot</div> <div><input checked="" type="checkbox"/> New business forms available electronically via Laser App (or equivalent since availability varies by financial institution)</div>	<div><input type="checkbox"/></div>	<div><input type="checkbox"/></div>
eDelivery – electronic efficiency	<div><input checked="" type="checkbox"/> Receive prospectuses, periodic and immediate confirmations, quarterly statements, annual and semi-annual fund company reports, correspondence, and other documents electronically</div>	<div><input type="checkbox"/></div>	<div><input type="checkbox"/></div>
Prospectus delivery	<div><input checked="" type="checkbox"/> Summary and full prospectuses are available online for clients to download at SecurityBenefit.com</div>	<div><input type="checkbox"/></div>	<div><input type="checkbox"/></div>

**FINANCIAL PROFESSIONAL USE ONLY**  
**NOT FOR USE WITH CONSUMERS**



Security Benefit offers the Advisor Mutual Fund Program, which is available for individual 403(b) and IRA accounts. With low account minimums and free fund exchanges, we can provide you and your clients the maximum flexibility needed to create a customized and diversified portfolio.

We're here to help your clients  
*To and Through Retirement®.*

Call us for more information at 800.747.5164, option 3,  
or visit [SecurityBenefit.com](https://SecurityBenefit.com).

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Dollar cost averaging does not ensure a profit or provide protection against loss. An investor should consider the ability to continue purchasing through periods of low price levels.

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The Security Benefit Advisor 403(b)(7) is a Custodial Account under §403(b)(7) of the Internal Revenue Code. The Security Benefit Advisor 457 is a Trust Account under §457 of the Internal Revenue Code. Security Benefit Advisor IRA is an IRA Custodial Account under §408(a) of the Internal Revenue Code.



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