

IFS Client Summary

Total assets: \$18,600,000

Client portfolio cost:	Client reduced portfolio cost:
Advisory fee: \$158,000 (.85%)	Trustee fee: \$65,000 (.35%)
Product cost: <u>\$156,000 (.84%)</u>	Product cost: <u>\$68,000 (.36%)</u>
Total cost: \$314,000 (1.69%)	Total cost: \$133,000 (.71%)

Opportunity cost due to under performance: 2.40% since inception, estimated to be \$5mm

IFS savings to client \$181,000 per year.

Annual savings compounded at 8% over 20 years creates additional portfolio growth of

\$8,288,888

Scope of work

Client: Middle aged couple with 3 adult children. One spouse received inheritance years ago. Asset base includes a \$6mm highly appreciated single stock position. Balance of assets were held in an Irrevocable Trust. Spouse's father encouraged child to never liquidate this position. Very dissatisfied with service and performance of trustee/investment manager. Client receives advice from trusted attorney and accountant.

Engagement: Analyze efficiency, service, and costs of portfolios. Report findings. Provide alternative options.

Findings: Costs were 1.69%. Manager's performance reports indicate that the portfolio underperformed benchmarks by approximately 2.4%, since inception and before tax. The exact opportunity costs cannot readily be calculated, primarily due to the sequencing of returns and tax liability, but conservative estimates indicate a loss of more than \$5mm. Portfolio was not managed efficiently for tax purposes. Client's desire was to limit advisors to attorneys and accountants only.

Additional findings outside of the scope of Engagement (at no cost to client):

Trustee/investment advisor was aware of client's intent to never sell the single stock position, which was held in an agency account. The Irrevocable Trust and the agency account were not consolidated for pricing purposes. The Irrevocable Trust had been largely ignored for several years.

Outcome: The final proposal preferred by client was to move the trust to a successor trustee that would invest trust assets into low cost, low turnover investment vehicles and establish a separate account or the stock position – with no attendant fee. Assets were re-invested while managing tax liability.

Since changes have been implement, performance has mirrored that of relevant benchmarks and managed effectively for purposes of tax efficiency.