
PLAYBOOK

Self-Directed Brokerage
Account (SDBA) Basics



401k

PRE-RETIREMENT SOLUTIONS



THE **PACIFIC**
FINANCIAL
GROUP

ENHANCED BY
RISKPRO



Why Sell SDBA?

Give your clients the help they are asking for!

Primary Client Benefits:

Many people spend more time planning their annual one week vacation than their two, three or four decade retirement.

According to Vanguard, people that get help with their investment allocations outperform individuals that don't get help by over 3%.¹

Without help, investors make mistakes. According Dalbar, the average equity investor underperformed the S&P500 by 6.18% over the past 30 years. That's only 1.33% better than inflation over the same time period.²

You can't rely on Social Security bailing you out! Social Security is expected to run out of money in 2034.³

Primary Advisor Benefits:

Tap into a new source of un-serviced AUM.

Why compete for the Rollover when you can get paid to build your pipeline of future Rollovers?

Create a referral engine by helping plan participants with their biggest and lowest maintenance asset in planning for retirement.

Accounts with contributions for retirement leads to assets that grow overtime and increase practice value.

1 - F.M. Kinniry Jr., C. Jaconetti, M.A. DiJoseph, and Y. Zilbering, 2014. Putting a value on your value: Quantifying Vanguard Advisor's Alpha™. Valley Forge, PA.: The Vanguard Group

2 - Quantitative Analysis of Investor Behavior – Dalbar's 23rd Annual Study for period ending 12/30/2016

3 - <https://www.fool.com/retirement/2018/06/15/fact-or-fiction-social-security-is-running-out-of.aspx>



OVER HALF SAY

401(k) investment info is more confusing than health care benefits info (52% vs. 48%)



NEARLY HALF

Don't feel like they know what their best investment options are (46%)



ONE THIRD

Feel a lot of stress about choosing their 401(k) investments (34%)

SOURCE: 2013 401(k) Participant Survey conducted by Koski Research for Schwab Retirement Plan Services, Inc. The survey is based on 1004 interviews and has a three percent margin of error at the 95% confidence level. Survey respondents worked for companies with at least 25 employees, were current contributors to their 401(k) plans and were 25-75 years old. Survey respondents were not asked to indicate whether they had accounts with Charles Schwab. All data is self-reported by study participants and is not verified or validated. Respondents participated in the study between June 5 and June 11, 2013.

How this Playbook Benefits You:

- ➔ Assists you with developing targeted, effective retirement conversations with your clients by providing you with scripts that are merged with client profiles and circumstances.
- ➔ Triggers action-oriented thinking for your clients to actualize their retirement goals and encourage them to make guided decisions through you.
- ➔ Generates a continued revenue stream for you through compounding AUM and monthly contributions within the 401K Pre-Retirement Solutions Program.

Millennials

Born: 1979-2000

The Technology, Tutorial Retirement Generation

Millennials are digitally oriented and tend to self-manage finances. They are accustomed to seeking tutorials for guidance and then individually implementing ideas. The problem for Millennials is that they are uneducated on the myriad of investment strategies within retirement plans. Many Millennials recognize the importance of financial plans and diversification in general, but few truly understand how much they need to save in advance of retirement to replace the income they've grown accustomed to investing.

Generation X

Born: 1965-1978

The Vigilant, Striving Retirement Generation

Generation Xers are struggling savers, and while many participate in some form of retirement plan, they are not saving enough. On average, GenXers started saving for retirement a little later than they should have and 'keeping up with the Jones's' routinely prevents them from putting more money aside. Knowing that time is ticking and they're playing catch-up creates a significant lack of confidence that they will get to retirement with enough money. Your opportunity is to restore the confidence they need and get them back on track before it's too late. Encouraging healthy savings habits and a disciplined spending approach is critical for GenXers to be successful.

Baby Boomers

Born: 1946-1964

The Trendsetters of a Modern Retirement Generation

Transitioning from company pensions to self-funded defined contribution plans like 401(k)s, Baby Boomers are the founding generation of the new retirement. The problem for Baby Boomers is that, as trailblazers, they did not have a retirement road map to plan with deliberate focus. As a result, there is no margin for error; save as much as possible, avoid all emotional mistakes and get used to living on less. Your opportunity with Baby Boomers is to create custom solutions that are risk controlled and actively managed and give them what they need; the best possible chance of success of retiring with dignity and achieving financial independence to and through retirement.

How to Make the PlayBook Work for You

Utilize this 4-step process to navigate a conversation with your client about their retirement. After identifying their initial need, want, or concern, you can build on the conversation with this format:

Step One: Directional Question

A directional question launches the conversation and creates a conversation pathway. The question should help clients open up about their retirement objectives. By them sharing more details, you can dive deeper into their goals and begin to formulate what investment strategy would benefit them most.

Step Two: Feedback

In this step, you provide the feedback that showcases your understanding of retirement planning. Make sure that your response caters to the answer from your client regarding the directional question. Give them assurance that with a disciplined approach, they can restore or boost confidence in their retirement planning.

Step Three: Create the Wave

This is where you shine light on more thought-provoking retirement issues. You go beyond scratching the surface and have clients begin to actualize all the details that they may face upon approaching retirement. Will they actually be prepared? What about unforeseen circumstances? Are they properly invested? Have they accounted for their own health habits and how they affect retirement planning? When is last time they really evaluated their risk tolerance? By creating this wave of thinking, clients begin to fully address aspects of their planning, ultimately providing you various opportunities for support tactics.

Step Four: Propose the Solution

Now you present a 401(k) Pre-Retirement Solution with RiskPro®. Explain how the client can have a customized risk profile assessment in combination with a proprietary investment plan. Explain how our innovative solutions facilitate the complicated investment strategies all while providing clients with simplified, secure assets under management.

Remember that during this process, you should be establishing rapport with the clients. Demonstrate how you are an approachable advisor that keeps their best interests in the forefront.



What a normal conversation (Q&A) can be every time.

YES NO ?

Do you have a 401(k)?			
How much are you currently contributing?			
How did you select the investments?			
Do you ever change them?			
How much does it cost you?			
Do you ever revisit the investments?			
Is your 401(k) expected to be a key component of your retirement income?			
Do you know what your Retirement Number is?			
Are you confident in your ability to save enough?			
Do you want help?			



Your Help is Needed - Depending on the age and stage in life your client or prospect is at, what is most important to your client in their financial journey is different. Below is an example on how to use the 4 step conversational roadmap to help guide your conversation with your client about their retirement. Keep in mind, 3 in 4 would be extremely/very confident in their ability to make the right 401k decision with professional help (77% vs. 50%).⁸

The key to success is to identify the primary challenge or road block facing clients/prospects for them to be successful in saving enough money for retirement and presenting your value proposition as a solution.

STEP 1	STEP 2	STEP 3	STEP 4
Optimal Questions	Insight	Challenging Questions	Sales Idea

Millennial: Born 1979 - 2000			
	<p>Have you started saving in your 401(k)?</p>	<p>71% are already saving for retirement in a company sponsored 401(k) or similar plan, and/or outside the workplace.⁴</p> <p>18% are planning to live to 100 or older.⁴</p>	<p>Do you know how much money you will need to save to replace your income at retirement?</p>
			<p>Did you know that it takes \$1M to generate \$40,000 in retirement income?⁵</p>

Generation X: Born 1965 - 1978			
	<p>Are you on track to your saving goal in your 401(k)?</p>	<p>\$72,000 is the amount saved in all household retirement accounts.⁴</p> <p>56% plan on working in retirement.</p>	<p>What would you do if you ran out of money in retirement?</p> <p>At what age can you afford to retire?</p>
			<p>Would you consider using the catch up provisions if I can increase your probability of getting to retirement with more money?</p>

Baby Boomer: Born 1946 - 1964			
	<p>How important is your 401(k) to your retirement Income?</p> <p>Are you taking too much risk in your 401(k)?</p>	<p>38% expect Social Security to be a primary source of income.⁴</p> <p>Social Security is expected to run out of money in 2034.⁶</p>	<p>At what age can you afford to retire?</p> <p>Will you need to sell your house to make the numbers work?</p>
			<p>Avoiding costly mistakes and coordinating all financial matters is critical.</p> <p>Did you know the value of a fiduciary advisor can be over 4%? ⁷</p>

4 - Wishful Thinking or Within Reach? Three Generations Prepare for 'Retirement,' 18th Annual Transamerica Retirement Survey of Workers,"

Transamerica Center for Retirement Studies® Transamerica Institute, 2017

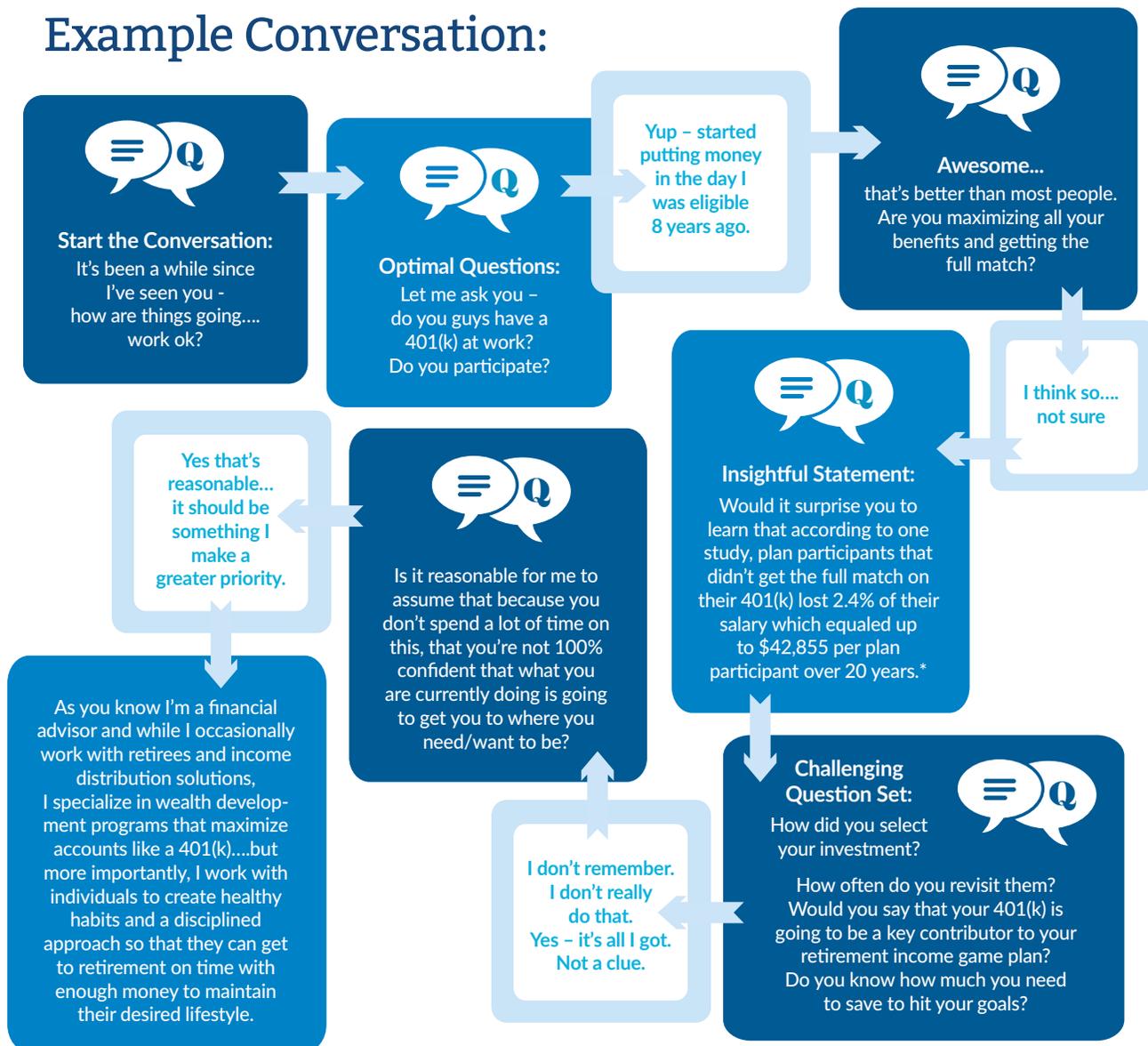
5 - "3 Things You Need to Know About the 4% Rule," Walter Updegrave, @CNNAgency, 2/7/2018

6 - "The 2017 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds," 7/13/2017

7 - "2017 Value of a Fiduciary Advisor: More than 4%," Russell Investments, Helping Advisors Blog, Brad Jung, 3/21/2017

8 - Schwab study 2018, [https://www.aboutschwab.com/images/uploads/inline/Schwab_2018_401\(k\)_Survey_deck_0818-8BHW.pdf](https://www.aboutschwab.com/images/uploads/inline/Schwab_2018_401(k)_Survey_deck_0818-8BHW.pdf)

Example Conversation:



Your Help is Needed! (Quick facts to keep top of mind)



70% are more concerned about **affording retirement** than how they will **spend their time**.

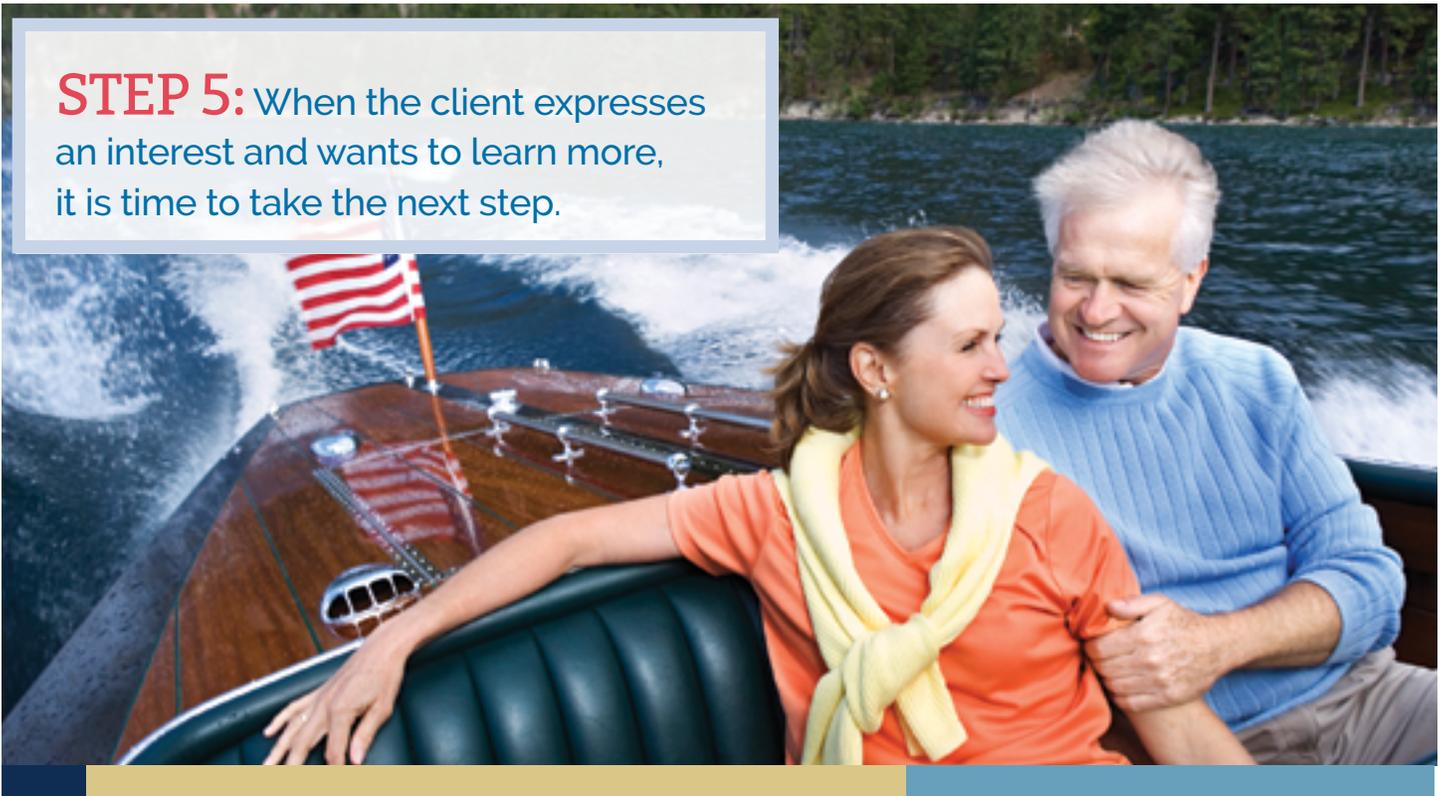


Individuals are **five times more likely** to say it's worse to **save too little for retirement** than to miss out on something today.



>90% said it would be at least somewhat important to tell their earlier selves to save more.

STEP 5: When the client expresses an interest and wants to learn more, it is time to take the next step.



Contact your local Regional Sales Consultant (RSC) at 866-583-8734 to get prepared before client meeting.

- 1) Verify plan access and limitations
- 2) Get best practices for processing a new account from RSC
- 3) Get custodian specific checklist and all paperwork needed
- 4) OPTIONAL - online proposal - RiskPro® Demonstration
- 5) Review paperwork with RSC to ensure account will be submitted IGO
- 6) Q & A with RSC for best practices on client presentation
- 7) Set follow up for call with RSC for funding & reporting access



Why compete for the rollover when you can get paid to build your book of future rollovers?

The best advisors in the country don't sell better products and don't give better advice, they build a better business that is scalable and profitable. Changing the focus of your efforts to embrace an Accumulation Philosophy through TPGF's 401(K) PRS will provide you with more youthful AUM assets, compounding contributions, as well as assets & investment that are more growth oriented.

Roadmap to Success:

Strategy: Give help when it's needed most & develop a niche or specific value proposition

Game Plan: Add 2 new clients a month with an average balanced of \$125,000 (for 10 years)

Tactics: Encourage & educate plan participants to save for retirement (\$12,000/year average)

Marketing: Ask for referrals - 84% of plan participants want help with their investment allocation¹²

Business Metrics In 10 years:

Average Account Size: \$270,776

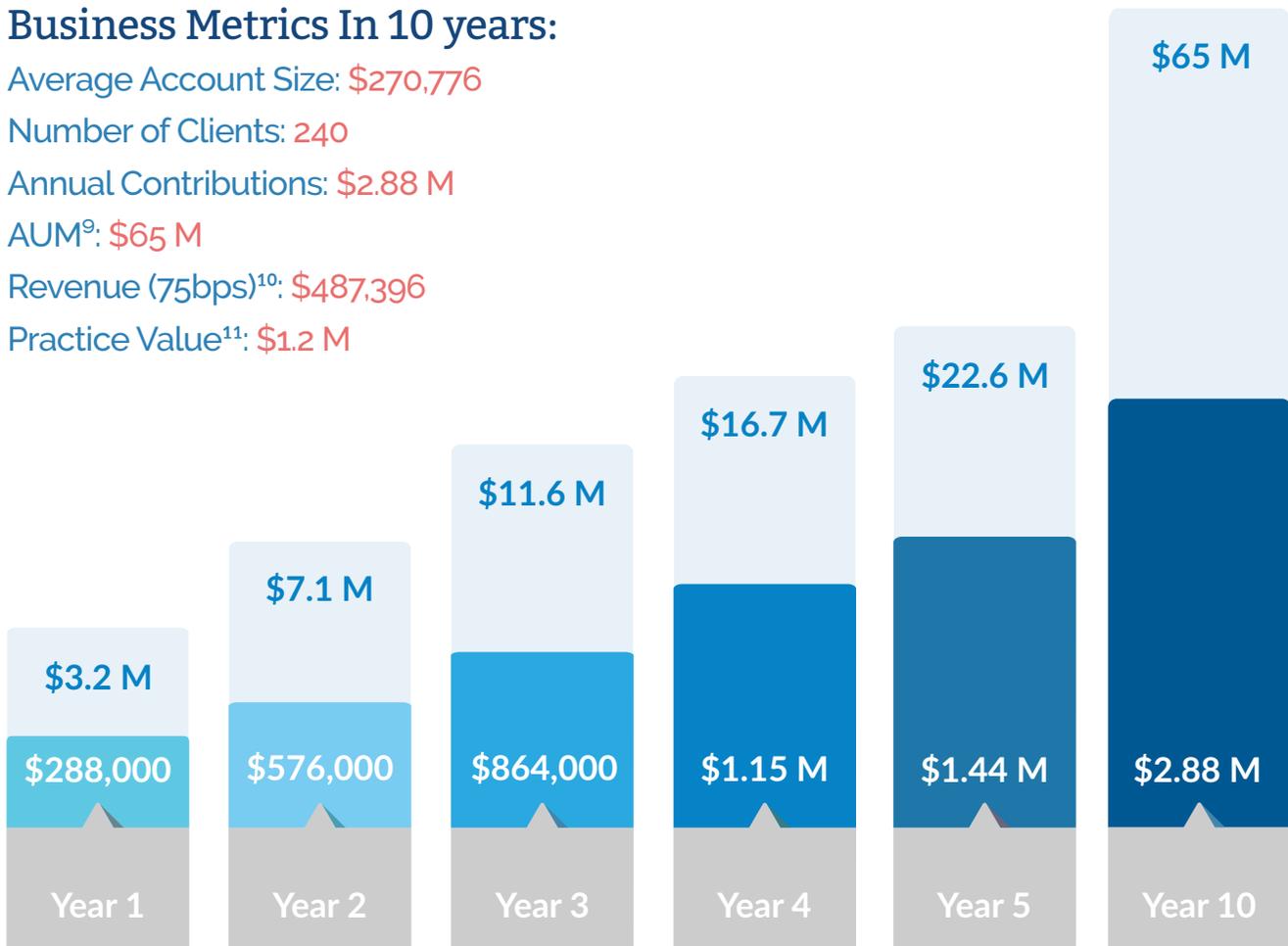
Number of Clients: 240

Annual Contributions: \$2.88 M

AUM⁹: \$65 M

Revenue (75bps)¹⁰: \$487,396

Practice Value¹¹: \$1.2 M



9 - AUM growth illustrated is hypothetical and based on an annualized 8% rate of return

10 - Revenue is equal to 0.75% annually. Please visit www.tpfg.com for program details and disclosures

11 - Practice Value is based on industry average of a 2.5 multiple on recurring revenue -

[Http://www.thinkadvisor.com/2011/10/14/whats-your-practice-worth-fp-transitions-latest-findings](http://www.thinkadvisor.com/2011/10/14/whats-your-practice-worth-fp-transitions-latest-findings)

12 - Segmenting U.S. Investors, 2010, by Bill Doyle, Forrester Research, 7/19/2010



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