

March 8, 2015

... I wholeheartedly agree these best practices are overdue, and support the work you are doing. My only comment is in regards of feasibility of providing a fee "report card" to clients yearly...

Our firm charges a flat retainer fee for all planning and investment management. This is very transparent to the client, so that part is easy. The difficult part is in reporting underlying portfolio fees.

We use very low cost equity funds in our portfolio such as DFA, Vanguard, and ETFs. We use individual bonds in ladders (so only buying, no trading,) of which most are purchased from outside bond dealers because we can get much better deals than those provided on custodian platforms. We compare purchases based on yield of the same or comparable bonds, and have analyzed "best execution" of bonds to the best extent possible. Our clients have to pay a \$20 delivery fee to their custodian. Overall, given this, the price of our bond ladders are below the price of purchasing a bond fund because there is no ongoing fee once a bond is purchased.

In addition, we manage all of our client's assets, including helping them with their 401k choices. We pick the best of what is available in their workplace 401k, but have no control of the underlying expenses in those plans. Would these be reportable? Since we charge clients based on complexity of their planning (of which asset management is a part,) management of their 401ks is included in our overall fee.

Given the nature of our portfolios and our flat retainer model, it would be very difficult and time consuming to provide an exact cost of the underlying fees of the portfolio, although we know they are extremely low. Having to calculate this would prove to be a great burden in time for a small firm like ours. Ideally, custodians would be in the best place to do fee calculations for clients based on the underlying holdings.

Best regards,  
Carolyn

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