

*Due Diligence Works, Inc*

*Product Due Diligence*

*Product Shelf Management*

# What Does Due Diligence Works Do

- We help **Broker-Dealers, RIAs and Wealth Firms** meet their Product Research, Due Diligence and Oversight obligations. Regulations and client-centric strategies have made our services not only a best practice, but a must in the industry.
- DDW researches thousands of products and recommends the best ones for your firm, advisors, and clients. Our clients tell us, *It just makes sense* and *Why would you want to do this alone?*
- **Who Uses Our Services**
  - Product Managers
  - Due Diligence
  - OSJs
  - Sales Support
  - Advisors
- **DDW Client Info**
  - **35 firms use DDW in the US and Canada (~20k Advisors)**
  - Broker Dealers Firms
  - RIA Firms
  - Product Manufacturers
  - Individual Producers (BD / RIA)

# Why A Partner Can Help

***Because the regulators are demanding more***

Managing Risk				
Expertise	Focus	Continuity	Independence	Cost
Our expertise is over 100 years of industry knowledge, and over 60 years of due diligence experience and growing.	This is what we do. It's a mind set that needs focus. Due Diligence is hard to do with limited or over committed resources. With our focus, we review each product and take the time to understand it, and see how it fits into your firm.	When a regulator walks in and asks for your file and records, now it's one phone call away. You don't have to worry about training new hires, attrition, and rehires (this is how knowledge gets lost).	An independent firm is not beholden to product providers or internal affiliates, you keep the relationship, let the due diligence firm do the leg work and sometimes be the bad guy.	There are economies of scale that can be gained in the industry. 100% of due diligence internal costs are driven by number of products not the size of your sales force. We can bring higher quality at a better cost.

***Product Level Due Diligence is no longer optional,  
best interest advice starts with robust full time due diligence.***

# Our Process



## **Quantitative screen**

- Expenses, Performance, Consistency, Protection, Sub Accounts, Rates
- AUM, Manager Duration, Alternative Classifications

## **Qualitative review**

- Investment process, investment strategy, fund family / manager review)
- Complexity, Rider Complexity, Index, Crediting Method, Transparency, MVA
- Review flagged quant screened products, determine if product should be brought back into consideration

## **Trend review**

- Client Inflow / Outflows
- Sales

## **Fit to Wealth Management Firm**

- Strategy
- Footprint
- Risk parameters
- Existing product line up

# Due Diligence and Product Shelf Management

- We take a bottom up approach in reviewing products and producing **Due Diligence Reports**, also share our unique insights on the product.
- We take a top down approach in determining the **Product Line Up**, look at the market universe, then ensure it all fits together and aligns with the firm's strategy.
- Lastly, we provide an **FA Facing 4 Box Report** for advisors to use going beyond the facts to include **target clients, competitive edge and key insights**.

## Variable Annuity Writeup

### Product Overview

Product Type: Variable Annuity

Variable annuities are long-term, tax-deferred investments designed for retirement, involve investment risks and may lose value. Earnings are taxable as ordinary income when distributed and may be subject to a 10% additional tax if withdrawn before age 59½.

There are three key attributes that make up the product; investment options, benefit riders and expenses.

Rating Agency	Rating	Description
AM Best	A+	Superior
Fitch	A+	Strong
S&P	AA-	Very Strong
Moody's	A1	Good

### Surrender Period

The surrender period and applicable charges are the cost for the client to exit the product prior to the minimum contract period. Withdrawals in excess of the 10% annual free amount will be subject to a surrender charge during the

## Jackson National Perspective II

### PRODUCT TYPE VARIABLE ANNUITY

RIDERS	0	1	2	3	4
Accumulation					
Income Now					
Income Later					
Wealth Transfer					

**TARGET CLIENTS**

- Clients with a need for flexibility and customization
- Clients seeking a degree of control to create personalized results
- Clients seeking to grow this money now, maximize income later and leave a death benefit

**COMPETITIVE EDGE**

- Allows clients to highly customize and drive aspects of accumulation, income, and death benefit guarantees
- Client may adjust investment allocation multiple times per year with no fee
- A-la-carte design for offering living and death benefit options
- A series of bonus adjustments for contract earnings, and step-ups to the benefits base provides competitive benefits to guarantee and increase income stream

**KEY INSIGHTS**

- Uniqued Freedom Flex and Net Riders have various sub-features to best fit client's needs
- The variety of options available w/ the Freedom Flex and Net Riders may cause client confusion. Client understanding is necessary
- The product is available range of ages that may be outside of the allowable range for some firms

### CLIENT NEED

ACC.	INC.	INC.	WT
ACC.	INC.	INC.	WT

### ACCUMULATION

**Uniqued Freedom Flex** (large the currently 1.5% but max charge is 3% upon the currently 1.5% but max charge is 3%)

1. Annual bonus between 1% to 1.5% (the higher on higher bonus)
2. Annual step-up can be used to give an annual bonus
3. 100% benefit if no withdrawal taken until the date of age 70 or 12 years after contract inception date
4. 100% benefit if no withdrawal taken until the date of age 70 or 12 years after contract inception date
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### WEALTH TRANSFER

**Uniqued Freedom Flex** (large the currently 1.5% but max charge is 3% upon the currently 1.5% but max charge is 3%)

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### EXPENSES

**Monthly Expense Charge** 1.25% annually, 1.25% to 1.50%

**Administrative Expense Charge** 1.25% annually, 1.25% to 1.50%

**Investment Expense Charge** 1.25% annually, 1.25% to 1.50%

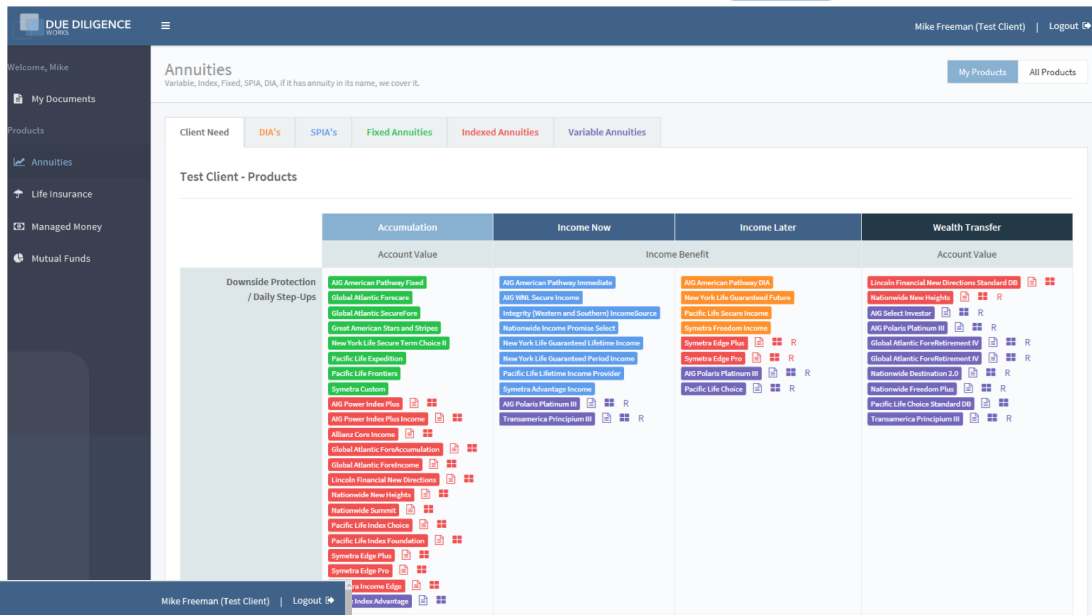
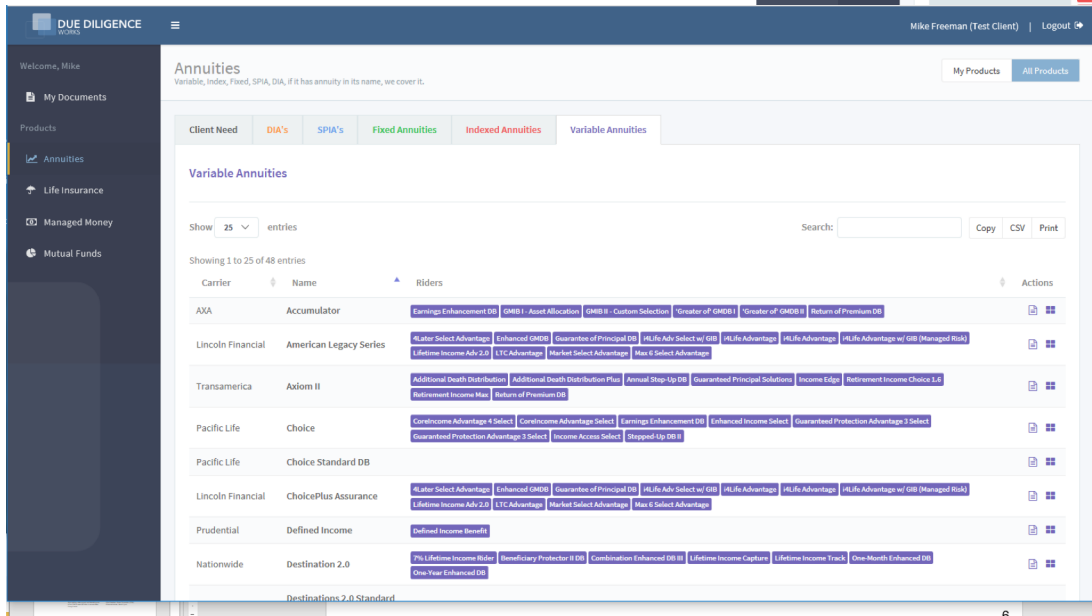
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											Due Diligence				Inventory Management				
Company	S&P Rating	Product	2017 Sales Thru Q1 (in '000)	2018 Sales Thru Q1 (in '000)	Annual Compliance	Rider Compliance	SubAccount Compliance	Transparency	Expenses	Average Score	Product Recommendation	Risk	Trend	Fit	Notable Points				
Traditional VAs																			
●●●●●	AA	●●●●●	●●●●●	●●●●●	3	3	3	2	3	2.8	Moderate to high priced VA with one income rider. Even with only one rider, it is sufficient enough for income focused clients	Level 1	15%	Keep	* The base contract allows you to select 7 yr or bonus options * Lower cost income rider v. other VAs * Income rider provides 6% increase annually (1.50% credited quarterly) to the Benefit Base				
●●●●●	AA	●●●●●	●●●●●	●●●●●	3	3	3	2	2	2.4	Approve	Level 1	25%	Keep	* Surrender charge: Low cost VAs has a 7 yr surrender * (GMB) & S riders available - (GMB) I except allows more investment options but at higher cost (1.30%)				
(●●)	AA-	●●●●●	●●●●●	●●●●●	4	3	2	4	3	3.2	Various investment restrictions and	Level 2	35%	Keep					
(●●)	AA-	●●●●●	Approved Families	Approved Funds	Name	Symbol	Asset Class	All Scores 4 and Below	Consistency	Expenses	Total Return	Protection	Total Score	DDW Reasoning & Restrictions	Risk	Trend	FIT	Notes	
●●●●●	A+	●●●●●	x	x	●●●●●	●●●●●	●●●●●	●●●●●	Long-Cap Core Funds	True	1.00	2.00	1.00	1.0	Net Flows +/ - 50%	Restrict	UP	Keep	
●●●●●	A+	●●●●●	x	x	●●●●●	●●●●●	●●●●●	●●●●●	Long-Cap Core Funds	True	1.00	2.00	1.00	1.0	1.4	Investment	FLAT	Keep	
●●●●●	A-	●●●●●	x	x	●●●●●	●●●●●	●●●●●	●●●●●	Long-Cap Core Funds	True	1.50	1.00	2.00	1.00	1.4	Investment	UP	Keep	
●●●●●	A-	●●●●●	x	x	●●●●●	●●●●●	●●●●●	●●●●●	Long-Cap Core Funds	True	1.50	1.00	2.00	1.00	1.4	Investment	UP	Keep	
●●●●●	AA	●●●●●	x	x	●●●●●	●●●●●	●●●●●	●●●●●	Long-Cap Core Funds	True	1.50	3.00	1.50	1.00	1.8	Alternatives	Restrict	UP	Keep
●●●●●	AA	●●●●●	x	x	●●●●●	●●●●●	●●●●●	●●●●●	Long-Cap Core Funds	True	2.50	1.00	2.50	1.00	1.8	Investment	UP	Keep	
●●●●●	AA	●●●●●	x	x	●●●●●	●●●●●	●●●●●	●●●●●	Long-Cap Core Funds	True	3.00	4.00	1.50	2.0	2.0	Investment	UP	Keep	
●●●●●	AA	●●●●●	x	x	●●●●●	●●●●●	●●●●●	●●●●●	Long-Cap Core Funds	True	3.00	1.00	1.50	1.00	2.0	Investment	UP	Keep	
●●●●●	AA	●●●●●	x	x	●●●●●	●●●●●	●●●●●	●●●●●	Long-Cap Core Funds	True	2.50	3.00	2.00	1.00	2.1	Investment	FLAT	Keep	
●●●●●	AA	●●●●●	x	x	●●●●●	●●●●●	●●●●●	●●●●●	Long-Cap Core Funds	True	2.50	4.00	2.00	1.50	2.5	Investment	FLAT	Keep	
●●●●●	AA	●●●●●	x	x	●●●●●	●●●●●	●●●●●	●●●●●	Long-Cap Core Funds	True	3.00	3.00	3.00	1.00	2.5	Investment	FLAT	Keep	
●●●●●	AA-	●●●●●	x	x	●●●●●	●●●●●	●●●●●	●●●●●	Long-Cap Core Funds	True	3.00	4.00	3.00	2.00	3.0	Investment	FLAT	Keep	
●●●●●	AA-	●●●●●	x	x	●●●●●	●●●●●	●●●●●	●●●●●	Long-Cap Core Funds	False	4.50	4.00	5.00	2.00	3.9	Investment	FLAT	Monitor	
●●●●●	AA-	●●●●●	x	x	●●●●●	●●●●●	●●●●●	●●●●●	Long-Cap Core Funds	False	5.00	4.00	5.00	2.00	4.0	Investment	DOWN	Monitor	
●●●●●	AA-	●●●●●	x	x	●●●●●	●●●●●	●●●●●	●●●●●	Long-Cap Core Funds	False	5.00	4.00	5.00	3.00	4.3	Net Flows +/ - 50%	Restrict	DOWN	Monitor
●●●●●	AA	●●●●●	x	x	●●●●●	●●●●●	●●●●●	●●●●●	Long-Cap Core Funds	True	4.00	4.00	4.00	5.00	4.3	Net Flows +/ - 50%	Restrict	UP	Monitor
●●●●●	AA	●●●●●	x	x	●●●●●	●●●●●	●●●●●	●●●●●	Long-Cap Core Funds	True	1.00	2.00	1.00	1.00	1.3	Investment	DOWN	Potentially Add	
●●●●●	AA	●●●●●	x	x	●●●●●	●●●●●	●●●●●	●●●●●	Long-Cap Core Funds	True	1.00	1.00	1.00	1.00	1.6	Investment	Potentially Add		
●●●●●	A	●●●●●	x	x	●●●●●	●●●●●	●●●●●	●●●●●	Long-Cap Core Funds	True	1.50	2.50	2.50	1.00	1.8	Investment	FLAT	Potentially Add	
●●●●●	A	●●●●●	x	x	●●●●●	●●●●●	●●●●●	●●●●●	Long-Cap Core Funds	True	2.50	1.00	3.50	1.00	2.0	Investment	UP	Potentially Add	
●●●●●	A	●●●●●	x	x	●●●●●	●●●●●	●●●●●	●●●●●	Long-Cap Core Funds	True	2.50	2.00	2.50	1.00	2.0	Investment	UP	Potentially Add	
●●●●●	A	●●●●●	x	x	●●●●●	●●●●●	●●●●●	●●●●●	Long-Cap Core Funds	True	2.50	2.50	2.50	1.00	2.1	Investment	FLAT	Potentially Add	
●●●●●	A	●●●●●	x	x	●●●●●	●●●●●	●●●●●	●●●●●	Long-Cap Core Funds	True	3.50	1.00	3.50	1.00	2.3	Investment	UP	Potentially Add	
●●●●●	A	●●●●●	x	x	●●●●●	●●●●●	●●●●●	●●●●●	Long-Cap Core Funds	True	3.00	3.00	3.00	1.00	2.5	Investment	UP	Potentially Add	
●●●●●	A	●●●●●	x	x	●●●●●	●●●●●	●●●●●	●●●●●	Long-Cap Core Funds	True	3.50	3.00	3.50	1.00	2.5	Investment	FLAT	Potentially Add	

# New Client Portal Makes Product Searches Quick and Easy

- DDW's product library allows you to **compare and contrast** your products categorized based on **Client Benefit or Need**.
- Quick access to **Due Diligence Reports** and **Advisor 4 Box Reports**

- Client need view** or **list view** by product category
- You can toggle between **My Products** and **All Products**, ensuring you always know the current market at your finger tips

## Product Shelf Set-up “Initial”

- Review and due diligence your product shelf.
- Identify gaps in your offering and recommend new products to fill gaps.
- Compare your current products to industry products, making replacement recommendations where appropriate.
- Identify issues or concerns and bring recommendations to product committee.
- Ensure your product shelf is compliant, best in class, and ready for today's market environment.

## Proactive Due Diligence “Ongoing”

- Review and monitor your current product shelf to ensure appropriateness, track record, tenure, complexity and assign risk parameters to the product.
- Quarterly due diligence update reports, married with sales reports provide a true picture to grow your business and mitigate risks.
- Annual deep-dive due diligence reviews.
- Always-on due diligence monitoring, product changes, industry changes, client changes, and provider changes.
- Support your product committee with periodic reviews, documentation, expertise, helping you get to the right answers in an efficient manner.

## Product Shelf Optimization “Optimization”

- Ensure Best Interest Advice can be provided through the best product shelf.
- Actively manage onboarding and removing products to align with today's environment, your Advisor expertise and client need, with the expectation of increasing revenue.
- Add products that are expected to fill a gap, grow revenue, and provide better advice, minimizing overlap and product cannibalization.
- Prepare material for product committee and provide real time answers to questions shortening decision time.
- Provider insights on the industry regarding new products, sales trends, risk point.

# Understanding Fiduciary

– January 2018, Morrison|Foerster

1. Meet with retail retirement investors on a regular basis and make sure they have an adequate understanding of the client's current circumstances and objectives.
2. **Conduct thorough diligence on all investment products offered to retail retirement investors.**
3. ***Document the basis for the fiduciary's conclusion that a particular investment product is in the best interest of the customer.***
4. Evaluate internal compensation arrangements to ensure that they do not improperly incentivise sales personnel to recommend products that are not in the best interest of retail retirement investors.
5. ***Train all sales personnel and supervisors to comply with the new requirements.***
6. Monitor account activity with a view to detecting potential deviations from the new best interest standard.
7. ***Establish procedures for documenting the reasonableness of compensation received from transactions with retail retirement accounts.***
8. ***Establish and enforce procedures to identify and manage conflicts of interest. Be certain to disclose all material conflicts of interest.***
9. Revisit distribution arrangements for new issues to ensure they comply with the new fiduciary rule.



# Who is Behind Due Diligence Work, Inc.



**Michael C. Freeman** is the President of Due Diligence Works, Inc. He started the firm to take his years of experience in the Bank Channel, Wire House, RIA and Platform Providers and create a better way.

“There is so much inefficiency and redundant work being done often at a lower quality. Regulatory scrutiny is at an all time high and increasing. By providing a service exclusively focused on Due Diligence, the work can be done at a higher quality, with more scale, and more strategic value.”

Prior to Due Diligence Work, Inc he was the Managing Director, Head of Investments for Citi / Smith Barney. He was responsible for Managing the Product Offering, Due Diligence, Views on the Markets, and the Wealth Specialists teams. His Product Management responsibilities include due diligence, management, and distribution of a broad offering including: Mutual Funds, Annuities, Insurance, Capital Markets, Alternatives, Financial Planning, Retirement, Managed Accounts, Brokerage Cash Management and Lending Products.

Prior to joining Citi, Mr. Freeman was a Managing Director at Ameritrade. In his last role at Ameritrade he was responsible for the Investing Clients and Branch Management. He also held senior roles as Head of Products for Institutional and Investing Clients, Chief Operating Officer of Ameritrade Advisory Services, LLC, and as Director of Amerivest Investment Management, LLC (Robo Advisor). Prior to Ameritrade, Mr. Freeman was involved in several start up organizations both in the US and Europe; prior to which, he was a Management Consultant with Ernst & Young LLP. Mr. Freeman holds an M.B.A. with honors from Boston University, and a B.S. from Lafayette College.

# Who is Behind Due Diligence Work, Inc.



**Jack M. Cramer** has been consulting with banks, broker-dealers, insurance companies and mutual fund companies since 1997. His primary focus has been developing training, marketing and coaching programs that increase sales by maximizing the efforts and talents of front-line Brokers, their Sales Managers and the Executive Management Team.

## **ACHIEVEMENTS**

- Built financial services consulting firm with clients that include 15 of the top 30 bank broker-dealers and 7 of the top 10 annuity manufacturers
- Hosts 10+ Industry Roundtables each year bringing leaders together to address industry issues, opportunities and challenges
- Built training, sales support and marketing arm of first TPM to reach \$5 billion in annual sales through banks

## **EXPERIENCE**

- 23 years in Financial Services Industry
- Entrepreneur, Consultant, Management, Advisor
- Prominent Thought Leader to Bank Broker-Dealers and Product Manufacturers

## **MILESTONES**

- President, Cramer + Associates, Inc.
- Vice President, Essex Corporation (TPM)
- Financial Advisor, Merrill Lynch