

WMS Program Fees – Aggregation

REFERENCE GUIDE

Table of Contents

Overview	1
IA-rep Fee Aggregation	1
Aggregation Policy Overview.....	1
MMLIS WMS Platform Linking Rules for IA-rep Fee Aggregation.....	2
Potential Client Scenarios for Linking Accounts for IA-rep Fee Aggregation.....	2
IA-Rep Fee Aggregation for Existing Accounts.....	3
Aggregation Example.....	3
Example – Aggregation of Three WMS Accounts.....	4
Determining whether an Account is Aggregated	4
Frequently Asked Questions	5

Overview

On January 1, 2022 the policy for Wealth Management Services (WMS) program fee aggregation becomes effective. This document reviews the WMS program fee aggregation policy, process, and procedure.

IA-rep Fee Aggregation

Aggregation Policy Overview

Advisors can consider assets across accounts (including accounts of extended family members) as a factor when negotiating fees with clients. The MMLIS WMS Platform offers linking technology for advisors to use as a tool to aggregate IA-rep fees. However, if advisors use the MMLIS WMS Platform linking technology, there are rules about which accounts are allowed for IA-rep fee aggregation. If a disallowed account benefits from being linked with a qualified account, the qualified account could lose its favorable tax status. Please note that the MMLIS WMS Platform linking technology is only available for accounts on the MMLIS WMS Platform.

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MML671rg2_48

Rev. 01/01/2022

WMS Program Fees – Aggregation

MMLIS WMS Platform Linking Rules for IA-rep Fee Aggregation

Advisors may link the following accounts for IA-rep fee aggregation:

- accounts of the individual client,
- accounts of the client's spouse or domestic partner,
- account(s) of the client's minor children – age of majority may vary by state (i.e., 18 or 21), and
- trust account(s) of the client in which the beneficiary is one of the individuals listed above (e.g., the trust account's tax identification number is the social security number of the beneficiary).

POTENTIAL CLIENT SCENARIOS FOR LINKING ACCOUNTS FOR IA-REP FEE AGGEGATION

Client Scenario	Explanation
Client with an individual account, IRA account, and joint account.	The client may link these accounts for IA-rep fee aggregation on the MMLIS WMS Platform.
Client with the accounts of his or her spouse/domestic partner.	The client may link his or her accounts with the accounts of the spouse/domestic partner for IA-rep fee aggregation on the MMLIS WMS Platform.
Client is living with a significant other.	The client cannot link his or her account(s) with the accounts of his or her significant other for IA-rep fee aggregation on the MMLIS WMS Platform.
Client is engaged and the fiancé has an account.	The client cannot link his or her account(s) with the fiancé's accounts for IA-rep fee aggregation on the MMLIS WMS Platform..
Client's spouse has minor children from a previous marriage.	The client cannot link his or her account(s) with the accounts of his or her spouse's minor children from a previous marriage for IA-rep fee aggregation on the MMLIS WMS Platform.
Client is divorced.	The client cannot link his or her account(s) with the accounts of the divorced spouse for IA-rep fee aggregation on the MMLIS WMS Platform.
Client is the legal guardian of a child.	The client cannot link his or her account(s) with those of the children for IA-rep fee aggregation on the MMLIS WMS Platform.
Client is a foster parent for a child.	The client may link his or her account(s) with the accounts of his or her foster children for IA-rep fee aggregation on the MMLIS WMS Platform.
Client's in-laws reside at the same address as the client and his or her spouse.	The client cannot link his or her account(s) with the in-laws' accounts for IA-rep fee aggregation on the MMLIS WMS Platform.

WMS Program Fees – Aggregation

Client Scenario	Explanation
Client's sibling resides at the same address as the client.	The client cannot link his or her account(s) with the accounts of his or her sibling for IA-rep fee aggregation on the MMLIS WMS Platform.
Client's child is over the age of majority but is a student at a university and the client claims the child as dependent for tax purposes.	The client cannot link his or her account(s) with the accounts of a child who is over the age of majority for IA-rep fee aggregation on the MMLIS WMS Platform.

IA-Rep Fee Aggregation for Existing Accounts

To request IA-rep fee aggregation for existing accounts, contact the [WMS Product team](#) or the [WMS Service team](#).

- If accounts were previously householded for purposes of calculating the IA-rep fee, these accounts will remain linked for IA-rep fee aggregation on the MMLIS WMS Platform.
- If a client opens a new account in an existing billing group, he or she has the option to group the account with the existing linked accounts for IA-rep fee aggregation on the MMLIS WMS Platform.
- If a [goal modification](#) is performed on an account that is part of an existing IA-rep fee aggregation, the account will continue to receive IA-rep fee aggregation on the MMLIS WMS Platform.

MMLIS developed the [WMS Program Fees – IA-Rep Fee Aggregation Worksheet](#) to assist IA-reps in their calculations. This worksheet allows IA-reps to view how compensation is impacted and the total client derived fee¹, excluding manager fees, for all accounts in a billing group.

For clients without existing accounts on the MMLIS WMS Platform, who are opening more than one account, email the [WMS Service team](#) to request that MMLIS links the accounts for aggregated billing purposes and provide the client's name and account number(s).

Aggregation Example

With guidance from members of the Advisors Association, MMLIS developed resources to help IA-reps determine the impact of aggregation on current IA-rep fees. The following example illustrates how IA-reps can utilize the [WMS Program Fees – IA-Rep Fee Aggregation Worksheet](#) to compare fees before and after aggregation.

WMS Program Fees – Aggregation

Example – Aggregation of Three WMS Accounts

	AUM	IA-rep Fee Schedule for Each Account	Calculation of IA-rep Fee Standalone		Calculation of IA-rep Fee for Aggregated Billing		Calculation of Execution, Clearing & Custody Fee		Calculation of Execution, Clearing & Custody Fee		Calculation of Total Client Fee under Standalone		Calculation of Total Client Fee under Aggregated	
			\$	BPS	\$	BPS	\$	BPS	\$	BPS	\$	BPS	\$	BPS
Advisor Select Account	\$350,000	0.90% for 1st \$250,000; 0.80% for next \$250,000; 0.75% thereafter	3,045.00	0.0087%	2,891.00	0.826%	210.00	0.060%	210.00	0.060%	3,255.00	0.930%	3,101.00	0.886%
Strategist Select Account	\$25,000		225.00	0.900%	206.50		15.00	0.060%	15.00					
UMA Select Premier Account	\$280,000		2,492.00	0.890%	2,312.80		168.00	0.060%	168.00		2,660.00	0.950%	2,480.80	
Weighted Average			5,762.00	0.881%	5,410.30	0.826%	393.00	0.060%	393.00	0.060%	6,155.00	0.941%	5,803.30	0.886%

The total client derived fee does not include the manager fee (if applicable). MMLIS does not aggregate the manager fee.

Determining whether an Account is Aggregated

- | Step | Action |
|------|---|
| 1. | Access the MMLIS WMS Platform and select the Client tab to locate the account. |
| 2. | Select the applicable account then select the Billing tab . Aggregated accounts have one billing number. |

The screenshot shows the 'Billing' tab selected in the MMLIS WMS Platform. The 'Billing Group 123123' is highlighted with a red arrow. Below the group name, two accounts are listed:

- HTM123456**: Account : Symmetry Non-Qualified (Tax Managed) Structured 70/30 (Fund Strategist Portfolio). Fee schedule: Up to \$250K (1.45%), \$250K-500K (1.42%), \$500K-1M (1.40%), \$1M-3M (1.22%), Above \$3M (0.96%).
- HTM00123**: Account : Symmetry Panoramic 80/20 (Fund Strategist Portfolio). Fee schedule: Up to \$1M (1.27%), \$1M-3M (1.12%), Above \$3M (0.92%).

At the bottom of the screenshot, it says: 'Powered by Envestnet, Inc. Copyright 2000-2020. All Rights Reserved.'

WMS Program Fees – Aggregation

Frequently Asked Questions

Question	Answer
What is fee aggregation?	Fee aggregation generally allows a group of accounts to benefit from lower fee rates because the fee calculation is based on the cumulative value of all accounts.
How does fee aggregation work for fee billing?	To manually calculate fee aggregation charges, follow these steps: <ol style="list-style-type: none"><li data-bbox="869 496 2003 597">1. The total market value of all “supervised” assets in all aggregated accounts is the “billable aggregation value” (exclude unsupervised assets). Determine the billable aggregation value.<li data-bbox="869 602 2003 703">2. For each account, replace the account’s value with the billable aggregation value and calculate the fee for each account using the fee schedule assigned to each account.<li data-bbox="869 708 2003 776">3. Determine the fee percentage each fee (dollar amount) represents for each account. This is the fee aggregation rate for each account.<li data-bbox="869 781 2003 813">4. Apply the fee aggregation rate for each account to its billable value.
Are brokerage accounts eligible for fee aggregation on the MMLIS WMS Platform?	No; brokerage accounts are not eligible for fee aggregation because they are not on the MMLIS WMS Platform and there are no management fees associated with the account.
What accounts can a client aggregate on the MMLIS WMS Platform for WMS fee billing purposes?	Refer to the Aggregation Policy Overview section .
What happens if a client wants to link accounts that are managed by a different advisor for IA-rep fee aggregation on the MMLIS WMS Platform?	To link accounts for IA-rep fee aggregation, the MMLIS WMS Platform requires accounts that have the same RR code and the same primary advisor on the account.
Are there consequences for including a disallowed account for IA-rep fee aggregation on the MMLIS WMS Platform?	Including a disallowed account for fee aggregation may result in negative tax consequences for the client (refer to the Potential Client Scenarios for Linking Accounts for IA-rep Fee Aggregation section). Adhere to the aggregation policy; otherwise, the client may require fee adjustments for previous time periods, amended tax reporting documents, and client notification. The IA-rep may be subject to any costs associated with resolving issues (e.g., inaccurate administration/error charges).

WMS Program Fees – Aggregation

Question	Answer
If a client establishes accounts with the same social security number, does the MMLIS WMS Platform automatically link those accounts for IA-rep fee aggregation?	No; the IA-rep needs to generate the proposals with the same fee billing group to link accounts for IA-rep fee aggregation.