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Comment On: EBSA-2010-0050-0204
Definition of the Term Fiduciary; Conflict of Interest Rule-Retirement Investment Advice

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General Comment

My input is from the perspective as a 26-year professional financial planner providing advice to clients in all aspects of their financial planning.

It appears the proposed Fiduciary rule is entirely focused on investment costs and is silent on value in the eyes of the client. If lowest costs are the sole objective, then the lowest cost vehicles, food, attorney, medical services, appliances, clothing and homes would be in the best interest of the public too. However, the value a client wants or needs is entirely absent in the proposed rule language.

Fees paid to an advisor whether by up-front commissions, trailing commissions, advisory (assets under management) or hourly are the clients choices for paying an advisor for services. Full disclosure by all advisors of those compensation options along with their respective costs and benefits is in the client's best interest. I belong to The Society of Financial Service Professionals and we strive to improve the level of ethical behavior by articulating Standards of Care.

Financial planning consists of 5 primary planning areas: Protection, Estate, Retirement Income, Tax and Investments. The Fiduciary Rule seems to speak only to investment advice. Most if not all advisors that use IRAs for clients do comprehensive planning for clients and not just giving investment advice. In many cases the investment product simply provides the compensation that pays for services in all 5 areas. The method of compensation (commission, advisory, or hourly) provides the client choices for compensation to their advisor that best fits their needs and preferences so clients are well-served in all 5 areas, not just investment advice. Ask yourself this question -Are you willing to spend more on a product or service if you receive greater value when you receive full disclosure and knowledge of the costs and benefits? If yes, why then would a blanket rule on the lowest cost product be in everyones best interest?

Unfortunately, there are bad apples in every industry and those egregious cases of unethical behavior in financial services somehow become the rallying call that every advisor operates in that manner and rules are then established for the lowest common denominator. That is simply not the case. Consideration should be given to the smaller number of complaints/egregious cases versus the vast majority of advisors providing client value with full disclosure.

Proper planning in all 5 areas can help avoid "harm to clients" and the unforeseen increased costs in tax payer paid social welfare benefits by helping reduce insufficient comprehensive financial planning by consumers.

Please dont stay myopic on fees alone and lose sight of the bigger 5-part comprehensive financial planning picture. Giving consideration and control to the consumer to make informed choices armed with full disclosure for the value they desire is in the best interest of all stakeholders.

Attachments

2015-6-5 Public Input