

The Fiduciary Rule review... what it means for you

President Trump has been active in the early days of his administration, putting forth several executive orders and initiating sweeping reviews of multiple programs and agencies. Of particular note was last week's announcement that the much-anticipated Fiduciary Rule will be examined for propriety and impact in advance of its scheduled implementation date April 10, 2017. In a memo to the Secretary of Labor, President Trump directed that a review be undertaken to study the rule's implications, with instructions to revise or rescind it if the rule does not align with the administration's priorities.

The Rule extends the definition of "investment advice fiduciary" (pursuant to ERISA, 1974) to all financial professionals who work with retirement plans or provide retirement planning advice, including brokers, planners and insurance agents. Under the new definition, all such professionals must act as fiduciaries, with the legal requirement to act in the best interests of their clients. The fiduciary standard is a much higher level of accountability than the current suitability standard required of financial salespersons.

Wall Street firms have pushed back against the fiduciary standard on the basis that it will limit the choices investors have available to them. While technically correct, we struggle to see how the elimination of overpriced products and self-serving advice works against the greater good. Indeed, improved transparency and a sharp reduction in conflicts of interest would seem to outweigh any modest narrowing of the universe of investment choices. More likely, the financial industry is more concerned about the price tag of The Rule (estimated to be \$2.4 billion in lost commissions and 12b-1 fees, with significantly higher compliance costs adding to the total).

If it seems self-evident that your financial advisor act in your best interest, it's because FMA has been doing so for more than 25 years. FMA is the oldest fiduciary investment advisor in the region, providing fee-based advice (not driven by sales commissions) since 1989. While our clients have long enjoyed the benefits of FMA's unbiased recommendations, we find it disappointing that the industry as a whole may not aspire – or be compelled – to deliver the same level of intellectual honesty, professionalism and transparency.

Are there significant expenses associated with the technology and compliance apparatus needed to properly manage client portfolios? Yes, of course. But doing the right thing has always come with costs. At FMA, it is our privilege to continue to serve you as a fiduciary investment advisor. Your best interests are at the core of every recommendation we make, and will continue to be so in the years to come.

With best regards,

Peter J. LaBella, CFP®

John J. Klobusicky, CAIA®, CFA®

Scott D. Ehrig, CIMA®, CFP®