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March 2017 Musings by Mitchell

## The Department of Labor Fiduciary, The Food Inspector, and You

As a follow-up to previous posts, I want to ensure you are in-the-know with regard to the new Department of Labor proposed legislation scheduled to go into effect on April 10<sup>th</sup>, 2017.

Rumors are rampant that the new DOL Fiduciary Rule will be buried by the new administration in Washington. At MJT & Associates LLC Financial Advisory Group, we believe strongly in what the DOL Ruling proposes and we support the DOL in its efforts to require professionals in the Financial Advice Industry to act on behalf of their clients' best interests when providing advice or products for retirement plan participants. In other words, Financial Advisors are required by this rule to act in a fiduciary capacity for their clients who invest in qualified retirement plans such as 401(k)s, IRAs, and the like.

Our belief is the DOL's Fiduciary Rule was created in the spirit of helping protect individuals saving for their retirement from large commission type products created by many financial institutions. These institutions are fighting to have this rule rescinded with their substantial lobbying efforts in Washington so that they can continue to offer high-fee, high commission products that really only benefit the manufacturers and sellers of these products.

At my firm, MJT & Associates, LLC, Financial Advisory Group, we strive to offer only products we feel are in the long-term best interest of our clients and we charge a reasonable fee to do so. As a CFP® (Certified Financial Planner), I am a fee-only advisor. So, there is full transparency in the fees my clients pay for the services and asset management I provide.

You may be wondering why there needs to be a ruling in place to force financial advisors to have their client's best interest first and foremost in the planning and product recommendations advisors provide. I am sure many of you think that this level of professional ethics and service for financial advisors should already be the same as is required by our doctors, chiropractors, dentists and even our local food inspectors.

A food inspector monitors the cleanliness and food safety of restaurants. The DOL Fiduciary Rule, in effect and spirit, monitors the safety of investment-related advice and product recommendations, such as for the purchase of mutual funds, ETFs, bonds or other myriad products available to consumers inside of their retirement plans.

Just like you have the freedom to go into a restaurant of your choice with confidence knowing the restaurant has met certain criteria from the Food Inspector for food handling and cleanliness, you will still have the freedom of choice when choosing an advisor for financial planning and product selection. The Advisor you choose, however, now has to follow a fiduciary standard when working with you on your retirement accounts.

Some opponents to the DOL Fiduciary Rule feel the rule will impede advisors from providing their clients with access to advice and products suitable for their retirement savings objectives. While the rule does have many new nuances in terms of things like a “Best Interest Contract,” a requirement for “level fees,” “reasonable fees” and other myriad mandates advisors need to adhere to, this may cause some additional paperwork and disclosures. However, the DOL Rule does not impede on the mixture of investments investors will have access to. To that point, I offer the following analogy.

Let’s assume on a cold winter day you stop into your favorite lunch spot for a bowl of chili. We know there are different levels of “heat” in chili, some like hot, some like mild, some like almost no heat at all. The same is true for levels of risk people are willing to take in their investments. Some people can tolerate a large amount of volatility and risk and others want a mild amount of volatility. As I mentioned above, some opponents to the DOL Fiduciary Rule state the rule will impede in providing their clients with the investments they can use. This is absolutely false. The Rule does not impede on the mixture of investments or the amount of risk an investor will be able to take in their retirement portfolios. Similarly, a food inspector does not impede on the amount of spiciness a lunch patron wishes to have in their chili at lunchtime. The food inspector merely is providing guidelines for food safety and inspecting the safety of restaurant food handling.

As an investor, you will have access to many of the same products you have become accustomed to using pre-DOL Rule. So, whether the Trump Administration decides to delay, replace or accept this ruling, informed consumers will drive financial services professionals to provide better and more transparent service. The power of knowledgeable consumers will drive this ruling to become the industry standard.

We await a final ruling in terms of whether or not the April 10<sup>th</sup> start-date for the DOL Fiduciary Rule will take effect in its current form. Whether this rule is upheld, repealed, replaced or modified is irrelevant to us. We believe the most powerful effect of the DOL Fiduciary Rule conversation has already started to impact the financial services industry. The ruling and implications are now public knowledge as the mainstream media is now covering this legislation along with other legislation enacted in prior administrations.

If you have any questions on how this new rule impacts you, please feel free to be in touch with us. As your trusted advisor, we are here to act in a fiduciary capacity to help you navigate the ever-changing landscape that stands between you and your goal of a comfortable and secure retirement.

Sincerely,

Mitchell J. Thompson, CFP®

Navigating Clients to Financial Success™

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