MJT & Associates, LLC.
Financial Advisory Group
Mitchell J. Thompson, CFP®
750 Boone Ave N
Ste 101
Golden Valley, MN 55427
952-938-3476
info@mjtassociates.com
www.mjtassociates.com

The Department of Labor Fiduciary Rule and You

This year we have seen the Department of Labor (DOL) ramping up their efforts to make changes in the workplace. We felt it would be of benefit to our clients to shed some light on these rulings inasmuch as the rules are making headlines in the press and in the mainstream media. The DOL has issued two new rules on the financial services industry called the Fiduciary Rule and a Salaried Employee Rule.
The Department of Labor is a governmental organization whose mission (according to their website) is to "Foster, promote and develop the welfare of the wage earners, job seekers and retirees of the United States; improve working conditions, advance opportunities for profitable employment; and assure work-related benefits and rights.

The first rule we will discuss is referred to as the DOL Fiduciary Rule. To paraphrase parts of the 1000+ page document, the DOL Fiduciary Rule requires that those who provide investment advice to retirement plan participants and IRA owners must act and acknowledge their status as a fiduciary, be required to make "prudent" investment recommendations without regard to their (the advisor's) own interests or the interests of anyone other than the customer and charge only "reasonable" compensation. The financial services industry has been put under the microscope and has even entered main stream media on shows like Last Week Tonight. Anyone familiar with the show knows of the 20-minute satire on the financial services industry. The Department of Labor has created new regulations that require anyone in the financial services industry to act as a fiduciary. The DOL Fiduciary Rule will be phased in beginning in April of 2017 and be in full effect January, 2018. Most people have and/or should ask these 3 questions; what is a Fiduciary, will it impact me, and is my advisor a fiduciary?

What is a fiduciary?
A fiduciary is someone who acts in the best interest of the client, Period. A fiduciary has a duty not to be in a situation where personal interests and fiduciary duty conflict. Therefore, let us then say, one of the goals of the DOL Fiduciary Rule is to alleviate any conflicts of interest between a fiduciary (aka, an Investment Advisor, Financial Services Professional, or the like) and the end-user investor who is invested in a qualified retirement plan, like a 401(k) or an IRA. Fiduciary Duty is a different standard of care than currently provided by the "Suitability Standard," which is the standard of care non-fiduciary advisors have been required to adhere to (prior to the DOL Fiduciary Rule) for investment advice and investment recommendations for IRA accounts. The "Suitability Standard" applies to non-fiduciary advisors whereby the non-fiduciary advisor need only have a reasonable basis to believe that a recommended transaction or investment strategy be suitable for the client based on the client's investor profile. The Suitability Standard must be adhered to by brokers who are generally registered representatives of broker dealers and are paid a commission for the investments purchased by their clients. Basically, this rules ensures advisors selling products with high commission for the benefit of the advisor are held to the higher standards and same rules as fee-based advisors trying to attain your financial goals and objectives as a client.

Will this rule impact me?
If you are saving for retirement, YES. This rule will impact anyone currently saving in a qualified retirement plan, such as a 401(k) plan (these individuals are identified as a "plan participant"). Additionally, any individual who is currently an IRA owner, potential IRA owner, or anyone desirous of an IRA rollover will be impacted. Does it impact working with us, NO. MJT & Associates and Flagship Capital Advisors already provide services as a fiduciary, which is the main language of the new rule, therefore we would not have to change our services. Our fiduciary mind set does not just pertain to the retirement accounts either. We act as a fiduciary whether working with your brokerage account, 529 plan, savings account or your IRA. Our goal is to provide you with the best

service, support and advice we can offer to attain your financial goals and objectives as our client. Our belief is ruling by the DOL was created to help protect the clients' interests and goals from the large commission and product orientated financial companies. These are the companies that are fighting to "veto" this ruling with their large lobbying dollars in Washington to protect the sale of or the constituents selling of their high commission products. We completely agree with these ideas and work to protect our clients not the financial companies as well. The goal for our organization is to help you, as a client of our firms, build, navigate, and attain the goals you have set for your financial future.

Is my advisor a fiduciary?
As your advisor, we expect you to ask this question and do some due diligence in picking the advisor who will help navigate you along your path to financial success. We would strongly recommend to research your current or potential advisor, including us, and find a fiduciary advisor. The easiest way to ask your advisor if he is a fiduciary is to ask for his Form ADV. Form ADV is the uniform form used by investment advisers to register with both the Securities and Exchange Commission (SEC) and state securities authorities. If they don't have a Form ADV, they are not a fiduciary. Before you hire someone to be your investment adviser, always ask for, and read carefully, both parts of the adviser's Form ADV. You can find a copy of an investment adviser's most recent Form ADV on the IAPD website.

Salaried Employee Rule
The other, much quieter but still important, ruling is the Salaried Employee Rule. This Rule updates the salary level required for exemption to ensure that the FLSA's intended overtime protections are fully implemented, and to simplify the identification of overtime-protected employees, thus making the EAP exemption easier for employers and workers to understand and apply. Without intervening action by their employers, it extends the right to overtime pay to an estimated 4.2 million workers who are currently exempt. It also strengthens existing overtime protections for 5.7 million additional white collar salaried workers and 3.2 million salaried blue collar workers whose entitlement to overtime pay will no longer rely on the application of the duties test. Salaried employees will now have their compensations tied to percentiles of earnings and have a minimum wage set for their positions. This rule sets the standard at roughly $913 per week for full-time salaried employees which is about $47,476 annually. Highly compensated employees have their standard set at about $134,004 annually and both of these are set to update every three years to keep these salaries current. The effective date of this ruling is December 1, 2016. The link for more information can be found at https://www.dol.gov/whd/overtime/final2016/overtime-factsheet.htm.

As we all know and understand rulings such as this, like the Affordable Health Care Act, can and will take time to implement as well as will probably be adjusted along the way. With that, as these adjustments and changes are made, we, as your fiduciary advisors, will be here to navigate our clients and to keep you up to date and informed. We are here at any point to continue to answer any questions or concerns, for you or others that you may know, whether about your goals or anything in the news you may have concerns about.

Refer a friend

IMPORTANT DISCLOSURES

Investment Advisor Representative, Cambridge Investment Research Advisors, Inc., a Registered Investment Advisor. MJT & Associates, LLC. and Cambridge are not affiliated.Broadridge Investor Communication Solutions, Inc. does not provide investment, tax, or legal advice. The information presented here is not specific to any individual's personal circumstances.

To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances.

These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable—we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.

This communication is strictly intended for individuals residing in the state(s) of MN. No offers may be made or accepted from any resident outside the specific states referenced.

To opt-out of future emails, please click here.