Read This If You Don’t Have a Clue What That New Fiduciary Rule is About

LISA ROWAN JUNE 6, 2017

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After spending spring in political limbo, the so-called fiduciary rule is finally going into effect Friday, June 9.

This long-awaited retirement investment adviser scout pledge formalizes the duty of financial advisers act in the best interest of their clients.

Previously, investment professionals were held to the less stringent “suitability standard,” which only required that financial advice meet your needs based on your investment profile.

Under the suitability standard, your broker could recommend an investment plan that’s *OK*, but puts you at greater risk than you’re comfortable with. Or, you could get backed into an investment that’s not a great fit just so that your adviser can get a commission.

What You Should Do to Protect Your Investments

At first glance, it might seem like there's not much for you to do in response to the new rule. But now is an ideal time to check on your investments — and make sure you have investments you're satisfied with.

Mike Chadwick, president of Connecticut-based Chadwick Financial Advisors, said that investors whose accounts were managed by fee-based firms are likely in better shape than those who, until now, worked on a commission basis.

He's gotten calls from people who managed their modest IRAs and other retirement accounts through big, national commission-based firms. Instead of converting small accounts to fee-based ones, those clients are being asked in some cases to close their accounts entirely.

"They can't offer a solution at a [balance] threshold that low," Chadwick said.

You may be able to stay on if your commission-based account is eligible for a Best Interest Contract Exemption (BICE).

Chadwick said it's a good time to review your investment accounts and make sure your financial adviser meets your needs.

"Make sure you know what you're buying inside of what you own," he said.

Don't just look at your financial firm's policies – do a review of how your money is being invested, as well.

Delay, but No Surprises for Fiduciary Rule

The Obama administration's long-term project with the Department of Labor was set to begin in April, but President Donald Trump signed an executive order in February to delay the fiduciary rule.

Trump feared it would reduce options for investors and stifle investment professionals. His executive order directed the Department of Labor to review and potentially revise the rule.

Many financial firms had already prepared for the change by adjusting their own commission policies or adjusting from fee-based programs to flat-fee setups.

While June 9 is remarkable on paper, the past few months of preparation may have had a greater impact on many financial advisers.

Meanwhile, brokers and insurance agents don't have to comply with parts of the rule until Jan. 1, 2018.

The Securities and Exchange Commission is soliciting feedback to guide its own potential rule proposal for retail investments, which may include stricter conflict-of-interest guidelines.

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