What the Battle Over "The Fiduciary Rule" Means to Investors

By Matt Miller

The endless legislative sideshow in Washington D.C. may have actually resulted in a positive outcome for the public. It did not come in a way that many had hoped. In fact, to find the "happy ending" here is an exercise in searching for the silver lining to a large and complicated dark cloud.

Entering 2017, investment firms across The United States were preparing to comply with Department of Labor's (DOL's) proposed "fiduciary rule". The rule was designed to make sure that professional financial advice was always made in the best interests of the client without any conflicts of interest. Adherence to this higher standard of care was to take effect on April 10, 2017. In February the fiduciary rule ran into a road block when an executive order was signed that effectively halted the DOL's new rule from taking effect. I will spare you the details of the endless back and forth that has taken place in Washington D.C. in the period between then and now. What you need to know is that not a lot has changed in the law.

Now you may be asking, "Didn't you say something about a 'positive outcome' or 'silver lining'?" Yes I did. Whether or not the rule is ever fully implemented, the language of the best-interest standard has worked its way into the public dialogue. A movement has begun with regards to greater transparency around compensation for financial consultants, and it will likely continue. I am optimistic that the resulting industry landscape will be one of greater faith in a profession more worthy of the public trust.

If that "good news" seems a bit too distant or abstract for you, I have some immediate and actionable news. There are already places where an investor can go and be confident that their advisor is being held to the fiduciary standard. To find this level of care, you need look no further than the offices of a Registered Investment Advisor (RIA).

Whether or not the DOL ruling ever goes into full effect, we RIAs already adhere to the fiduciary standard and thereby always act in our clients' best interests. This concept is not new to us. This higher standard has always been in place for all clients at RIA firms. We have always had a legal and ethical obligation to put the interests of our investors first. We are an independent and objective resource, here to provide unbiased advice free of any potential conflicts of interest.

In fairness to those who may not agree with what I've written, there are forces adamantly opposed to the DOL's Fiduciary Rule. It is their belief that a "suitability standard" offers enough protection to an investor. Instead of having to place his or her interests below that of the client, the suitability standard only details that the financial consultant has to reasonably believe that any recommendations made are suitable, in terms of the client's financial objectives and appetite for risk. An important distinction may be one of loyalty, in that a broker has a duty to the company he or she works for. This may conflict with the best interests of the client served. It is my opinion that the difference between a fiduciary standard and a suitability standard translates to the difference between agreeing to *not give bad advice* versus committing to *only give the best advice*. A good question, to those unwilling to commit to always acting in the best interests of their clients, may be "whose best interests are you acting in, if not mine?"