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# BUSINESS

# 'Fiduciary rule' may save your account a bundle

**401(k) ADVISER**
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A landmark rule took effect on June 9, changing the way the financial services industry interacts with investors' retirement accounts.

While industry experts are calling it the most important new investor protection in decades, consumers remain largely unaware of the rule and its implications.

The new "fiduciary rule" is designed to protect retirement assets from conflicted investment advice. The most common conflict: when an investor relies on an adviser whose own compensation is affected by the recommendations he or she makes.

It may be obvious, but the investment recommendation that pays the adviser the highest compensation rarely earns the client the highest rate of return.

Last year, the Department of Labor released a study estimating that conflicted investment advice cost retirement investors more than $17 billion in unnecessary annual charges and fees.

Some of the most common questions retirement investors ask advisers include, "Should I roll my money into (or out of) my 401(k)?" and "What kind of investment manager should I choose, active or passive?"

Too often the person answering these important questions, or their employer, only gets paid if you act in a certain way — and makes nothing if you do something else. You see the problem.

The new fiduciary rule raises the bar for an investment adviser when answering these kinds of questions. Gone are the lower standards of care, now replaced by the highest standard of care — known under the law as the prudent expert rule.

It's best described as "what would an expert do under similar facts and circumstances."

This higher standard requires an adviser working with retirement accounts to act with loyalty to the customer, putting the customer's interests before their own, and with prudence, recommending only products with reasonable fees and levels of risk.

When fully implemented by Jan. 1, the new rule will require investment advisers to provide their clients with new disclosures regarding their conflicts and promises to act in the customer's best interest.

It also will eliminate mandatory arbitration in new account contracts. This means industry compliance with the new rule will be enforced by lawyers who protect consumers through class-action lawsuits, not an industry-friendly arbitration panel.

How you are affected by the new fiduciary rule will be largely dictated by the type of financial services firm that handles your retirement account. Brokers, banks, registered investment advisers, mutual funds and insurance companies all have specific conflicts they will be required to disclose to their customers and mitigate.

If you are a "do-it-yourselfer," you may need to make some changes to avoid having your costs increase. Everyone should be prepared for some new paperwork.

This rule has been in the works for years and hotly debated since 2010. The new U.S. Department of Labor chief has vowed a close review of the new rule over the next six months, and because much of the financial services industry is concerned that complying with this new rule will make them less profitable, tens of millions of dollars are still being spent lobbying against it.

But for now, the new fiduciary rule is the law of the land.

If you have money in a retirement account and have yet to hear from your adviser about how this rule will affect you, I recommend you inquire about his or her compliance plans. The more you know about this important new rule, the better equipped you'll be to use it to protect your interests.

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