

New Fiduciary Rule Benefits Us All

When it comes to protecting consumers' financial interests, outgoing Secretary of Labor Thomas Perez, a resident of

Kensington and former Montgomery County chairman, fought a good fight in Washington.

It all started in February 2015, when the White House Council of Economic Advisers came to a grim conclusion: retirement account holders were losing roughly \$17 billion annually due to their advisors' conflicts of interest. Advisors were recommending products that netted them high commissions – a practice that was inherently biased and often at odds with consumers' financial goals and well-being.

After President Barack Obama asked him to take action, Secretary Perez updated the fiduciary rule. The new rule, which will take effect this spring, requires all retirement advisors to “abide by a ‘fiduciary’ standard – putting their clients’ best interest before their own profits,” according to a White House press statement.

I believe this new fiduciary rule is a step in the right direction – that people on both sides of the aisle can embrace because it will bring about a

welcome change in the relationship between advisors and their clients.

Good for Consumers and Advisors Alike

As a fee-only fiduciary advisor, I sit on the same side of the table as my clients. My duty is to serve their long-term financial interests. My clients know and appreciate that every wealth management strategy employed and investment purchased is one I believe will deliver the best results for them.

This type of relationship serves both parties well. By serving my clients in a fee-only

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environment, I’m solely focused on optimizing their account performance. The results I achieve are good for my clients’ financial future, and they’re good for the future of my business. After all, nothing grows an advisory practice faster than word-of-mouth referrals from satisfied clients.

Of course, not everyone in the industry shares my views on this new fiduciary rule. But to me,



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putting clients first is just plain common sense.

Here's an analogy I like to use. Suppose you're not feeling well, but you're not sure what the problem is or how to treat it. Would you rather enlist a pill salesperson or a doctor? The salesperson will present you with a range of options and try to convince you to stock up, regardless of your true condition or medical history.

The doctor will do a physical, determine what's wrong with you and prescribe medication that's both appropriate for your ailment and suitable for you.

Yes, the doctor would require a fee before treating you, just as fiduciaries are paid directly by their clients. Paying a fiduciary advisor upfront ensures two important things: zero

bias and 100 percent accountability.


Not So Easy to Cast Aside

Despite the fact that President Donald Trump has announced his desire to do away with the new fiduciary rule, I'm not too worried. This rule is not at the top of the new administration's stated list of priorities. Trump will likely be tackling much larger issues in his first 100 days.

There's also the difficulty involved in repealing the rule, which will be enforced beginning in April. The rule was approved by Congress, advisory firms are already making adjustments ahead of enforcement and any attempt to kill the rule outright could face big political headwinds.

Having been in the financial

industry for over 30 years, I'm glad the new fiduciary rule isn't going anywhere soon. Millions of consumers struggle to sort through financial priorities, investment options, retirement savings, college funds, business assets, insurance, charitable giving, estate planning, and tax consequences – i.e., the big picture of their financial lives. For them, this rule is essential. For conscientious advisors who are in the business of serving, this rule is long overdue.

For his part, Secretary Perez – who worked so hard to bring about change, and became a champion of this new rule on consumers' behalf – has made the financial industry a better place. For that, he deserves recognition and a sincere thanks for a job well done. 



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