ROCKLAND TRUST
Investment Management Group

Retirement Plan Services

All Financial Advice Is Not The Same and Why That Is Important To The DOL:

The Suitability vs. Fiduciary Standard Explained

Retirement plans have been a hot topic in Washington, D.C. over the past couple of years. In 2012, the Department of Labor (DOL) issued a regulation requiring service providers to issue fee disclosures to their clients. In 2015, the focus has shifted from fees to advice. Specifically, the DOL's proposed fiduciary rule (also called "Conflict of Interest Rule") would widen the "fiduciary net" so that investment related advice within retirement plans and IRA's are given with the best interest of the client in mind. If you're wondering, "Isn't that already the case?", you're not alone... but you'd be wrong.

There are currently two different standards from which financial professionals are able to serve their clients.

- **Suitability Standard** - Most wirehouse brokers and insurance agents are able to advise their clients based upon a suitability standard. Under a suitability standard, an advisor may ask a series of relevant questions and take those responses into consideration. However, when making a recommendation, the advisor is only required to recommend what is "suitable", not what is in the "best interest" of their client. The conflict within this standard is that if there are two investments that are "similar" but one investment pays the advisor more and carries a higher expense to the client... this would not need to be disclosed since the recommendation can still qualify as "suitable" even though it would clearly not be in the best interest of the client.
- **Fiduciary Standard** - Many (but not all) Registered Investment Advisors (RIAs), Wealth Management and Bank Trust Companies have already embraced a Fiduciary Standard for their clients. This means that within their service agreements, the advisor would agree to their fiduciary status and therefore, be required to provide advice that is in the best interest of their client. This includes disclosing any conflicts of interest such as the situation mentioned above.

You may be wondering, "Why would anyone be AGAINST this type of regulation?". The obvious answer is that financial advisors who are not currently serving in a fiduciary capacity would have a major paradigm shift in how they conduct business, and even how they get paid. But there is also some opposition from lobbyists representing advisory firms who do act in a fiduciary capacity. Their opposition is not because the uniform fiduciary standard would hurt their business model, but because of some of the potential side effects that they anticipate if the current language of the fiduciary rule remains unchanged. These advisor groups fear that stricter regulations would inadvertently harm those with small balances as advisors are driven "up-market" because of the increased costs associated with operating under the new regulations as a fiduciary.

I hope this has helped explain the current debate regarding fiduciary status, and why it is important to you and your employees who participate in the retirement plan. If you don't know whether your financial professional is a fiduciary or not, make sure you ask them, or better yet, have them show you evidence that they are a fiduciary in writing. If they can't or won't, then know that the business model they work within today is evolving. Rockland Trust is accustomed to operating as a fiduciary to our retirement plan clients and IRA holders.
Please email Sean McGarry at Rockland Trust for more information if you have questions.
Learn more about IMG Retirement Plan Services.

We can help you evaluate your plan - **for free**

Did you know that Rockland Trust can offer a complimentary review of your company's current retirement plan to ensure it is compliant and the right fit for your firm and employees? There is absolutely no obligation.

Interested in a complimentary review?

Email Sean McGarry, AIF®, Vice President and Retirement Plan Services Manager. Or give him a call at 781.982.6594.

Learn more about IMG Retirement Plan Services.

NOT FDIC INSURED • NOT A DEPOSIT • MAY GO DOWN IN VALUE
NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY • NOT GUARANTEED BY THE BANK

For plan sponsor use only, not for use with participants or the general public. This information is not intended as authoritative guidance or tax or legal advice. You should consult with your attorney or tax advisor for guidance on your specific situation.

The opinions in this publication are for general information only and are not intended to provide tax or legal advice or recommendations for any particular situation or type of retirement plan. Nothing in this publication should be construed as legal or tax guidance; nor as the sole authority on any regulation, law or ruling as it applies to a specific plan or situation. Plan sponsors should consult the plan's legal counsel or tax advisor for advice regarding plan-specific issues.

288 Union Street | Rockland, Massachusetts 02370