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Big Firms May Miss DOL’s 2017 Fiduciary Rule Deadline

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Many financial advisors and broker-dealers are spending their summer getting ready to comply with the Department of Labor’s fiduciary rule. But it doesn’t mean they’ll be ready for its April 2017 deadline, one consultant tells ThinkAdvisor.

While changing procedures to comply with the rule, which forces brokers to put clients’ interest first, is relatively easy, many of the “biggest providers” may not have enough time to change the technology supporting those changes, according to John Gebaur, president of the compliance consulting firm National Regulatory Service, ThinkAdvisor writes.

Furthermore, the industry is still very confused about the rule – and that’s not being helped by the various lawsuits filed to block it, he tells the publication. The DOL faces several suits from industry groups, including three filed in a Texas court by the U.S. Chamber of Commerce, the American Council of Life Insurers and the Indexed Annuity Leadership Council, as reported previously.

According to Gebaur, while the cases may have little chance of success, the existence of the lawsuits could make advice firms wait for their outcome before making any changes, according to ThinkAdvisor. The suits “still add to confusion, they add to uncertainty,” he tells the publication.

Gebaur also attributes the confusion to a lack of a “deep relationship” between the DOL and the industry, contrary to the those relationships already established between firms and the Securities Exchange Commission or the Financial Industry Regulatory Authority, ThinkAdvisor writes.

But although Gebaur thinks the DOL’s timeline is “pretty aggressive,” he suggests advice firms take steps to prepare nonetheless, according to the publication.

He recommends that firms start with a risk assessment and inventory of their practice and review their clients to understand the actual scope of impact of the rule on their business, ThinkAdvisor writes. Gebaur stresses that such assessments aren’t even compliance-related, and that the responsibility to be ready for the rule should be shared among management, technological support, marketing departments and compliance, according to the publication.

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Meantime, financial technology firms are beginning to come out with services that help practitioners comply with the new rule. PIEtech — the firm behind financial planning software MoneyGuidePro — earlier this month rolled out a tool to help advisors adequately complete the discovery the DOL requires to understand a client’s full financial circumstances.

The Best Interest Scout tries to help FAs ensure they are meeting their clients’ best interests before delivering the requisite Best Interest Contract, according to the firm’s press release.

PIEtech president Kevin Knull says the tool “goes beyond” risk tolerance and asset allocation questionnaires, also examining factors such as a client’s retirement expectations, goals, healthcare costs, Social Security income, liabilities, and insurance needs.

“For a firm to operate prudently, they should ensure the existing investment products subject to the DOL rules are in the client’s best interests,” Marcia Wagner of Boston’s Wagner Law Group, said in PIEtech’s release. “It is essential that an advisor understand the client’s full financial circumstances in order to ensure best interests. This is the standard by which BIC adherence will be judged.”

By Alex Padalka

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