

“It’s Time to Get Real”

The Future of the DOL Rule; What Advisors
Should Do; How the Marketplace Will Respond

Knut A. Rostad, President

Institute for the Fiduciary Standard

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www.thefiduciaryinstitute.org

“It’s Time to Get Real”



Photo by Dirk Eusterbrock

“What Comes After the Uprising?”

President-elect Trump needs to reassure the country, including those who opposed him.

November 12, 2016



Photo by Gage Skidmore

“What Comes After the Uprising?”

- “Boston-based LPL will keep changes to the way it pays advisers even if the Trump Administration scraps the regulations (Boston Business, 11-12-16)
- Its highly unlikely Merrill Lynch would reverse its position on scrapping IRA commissions if the Labor Departments fid rule were to be repealed (Inv News, 11-21-16)

**We're committed
to your
best interest.
Not the status quo.**



Starting April 10, the government will hold the investment industry to a higher standard for all individual retirement accounts. The ruling will require that when advisors provide investment advice regarding these accounts it must not be compromised by that advisor's personal financial interests.

This is a positive step forward for the industry and great news for investors. At Merrill Lynch we support it wholeheartedly. In fact, we were first among our peers to do so.

It means when you sit at the table with your Merrill Lynch advisor or invest with us online, you can be sure that you are getting guidance that is in your best interest and designed to meet your goals.

Our reasoning is straightforward and unambiguous. We agree that retirement accounts — no matter their size — are essential to their investors' futures and deserve to be protected. The way we see it, the best way to ensure that is to agree upon a fair, transparent fee before we start any work. We will not collect commissions for any of these personal retirement accounts and this fee is not contingent upon any investment recommendations to buy or sell. It is a simple, open way to work that is intended to address these potential conflicts.

We believe we are honoring the spirit of the new rules — not looking for ways to get around them. Since Charlie Merrill started this company, we have always been committed to our clients.

“Back to the Future”

**BACK
TO
THE FUTURE**



“Back to the Future”



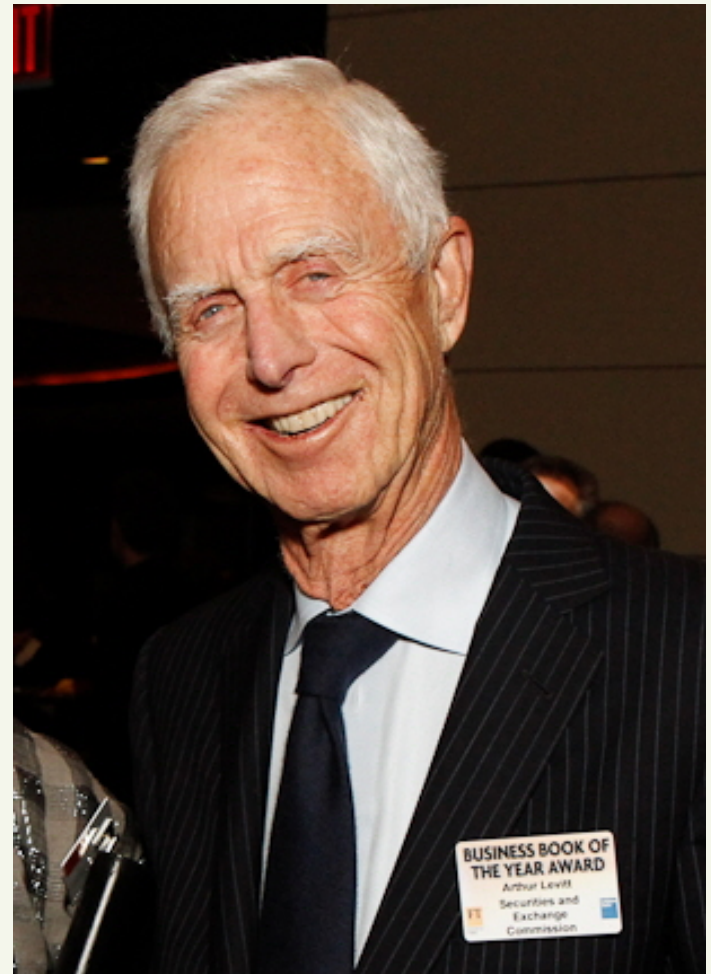
“The new operating policies adopted under Charles Merrill’s direction (in the 1940s) were designed to place the well-being of the individual customer first.”

-- Wall Street to Main Street, Charles Merrill and Middle-Class Investors, 1999

“Back to the Future”

“Merrill Lynch was one of the resisters (to the 1995 Tully Report). Tully (CEO of Merrill Lynch) Says Merrill Lynch had already switched from a compensation system that rewarded brokers for the number of trades that they did to one that encouraged brokers to increase the amount of assets they had under management.”

-- “Take on the Street, What Wall Street and Corporate America Don’t Want you to Know,” Arthur Levitt Jr.

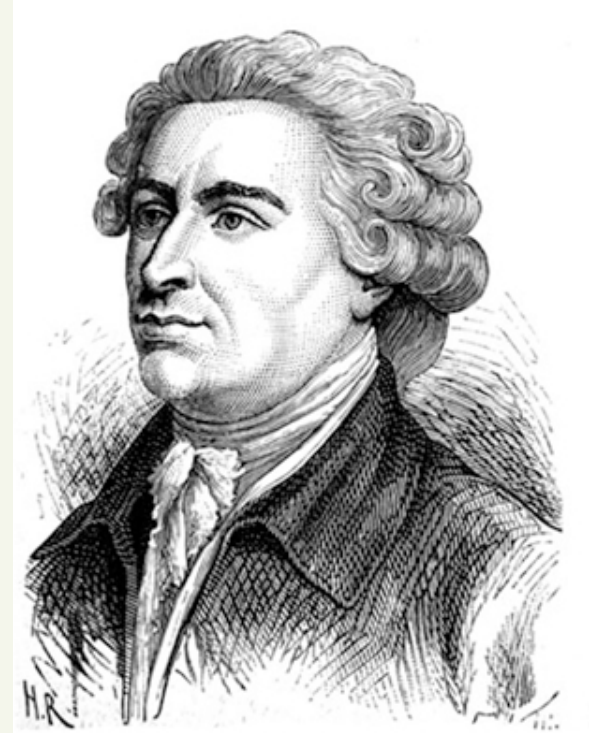


What Do Fiduciary Advisors Do?



The Imperative: Don't Repeat History

- Think and leverage and act beyond regulatory issues.
- Acknowledge when our Wall Street antiregulatory colleagues have a valid point.
- Acknowledge market forces supporting fiduciary advisors: new attitudes of investors and technology and digital platforms.
- Acknowledge what Ron Carson and Merrill Lynch's John Thiel and Joe Duran and SSGA researcher Brie Williams agree on: that significant investor distrust of their own advisor exists and fee and expense opacity is a central villain.



**Those who don't
know history are
destined to repeat it.**
- Edmund Burke

The Imperative: Don't Repeat History

- Joe Duran suggests lessons for finance from election.
- Schwab CEO, Walt Bettinger, called on RIAs in October to make “Re-differentiation” from those who seek to appear to be RIAs an overriding priority.

Institute for the Fiduciary Standard

Best Practices affirmation program

- Best Practices describe 12 concrete practices, written in plain language, that investors should expect from fiduciary advisors.
- Best Practices stress advisor conduct around reasonable basis, conflicts, transparency and communications.
- The affirmation program lets advisors subscribe to Best Practices by putting the practices on their website and stating their adherence to them on their ADV.
- Best Practices cannot be met by statements of good intentions or suggestions of ‘spiritual’ adherence.

We Did it Before

The home field advantage



Battle of Trenton, December 26, 1776

Thank You

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