Initial Reaction to the DOL Fiduciary Rule: Implications for Plan Sponsors

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The Department of Labor (DOL) recently released 1,000+ pages of new rules governing retirement plans. Rules are scheduled to go into effect April 10, 2017.

Why another gigantic set of rules 5+ years in the making?

This new legislation attempts to address conflicts of interest between investors and financial service providers in a reasonable manner.

There is no question that incredible progress has been made in the retirement plan industry with a focus on individuals achieving retirement security or a path to retirement security. Still, the financial industry has historically been riddled with ***conflicts of interest***, hidden fees/agendas, and sometimes just bad actors not necessarily looking out for the best interest of Plan Sponsors and Plan Participants.

Who do the new rules affect?

These new Fiduciary Rules primarily affect vendors/brokers/advisors who serve the ERISA market.

- Plan Sponsors will be asked to conduct rigorous due diligence around the vendor or advisor they hire to interact with their Plan Participants, along with the requirement to specify certain fiduciaries in writing.
- Advisors will need to adhere to a significant number of new rules regulating how they can solicit IRA or annuity rollover money from qualified plans.
- All money rolled into certain government plans, such as a deferred compensation 457(b) Plan, from an ERISA Plan will be considered subject to these new rules – a different consideration for these Plan Sponsors.

What are some of the changes this new legislation may cause?

We expect more resources will become available to plan participants to aid them in planning for their financial future.

- Additional options, including calculators and active education will become more of an expectation associated with great Retirement Plans and companies.
- More assets may stay in the Plans even as Participants retire. Participants will receive more information to compare value for fees among available options inside and outside the Plan.
- This could also create more 'specialized' advisors for group Retirement Plans, while reducing the pool of general brokers and advisers attempting to offer 401(k) services. Conversely, this may cause a significant spike in financial brokers and advisors that operate with a fiduciary model.
- We could see more plans currently outside of ERISA jurisdiction, begin to operate in accordance with ERISA fiduciary rules because parts of the plan, such as money rolled in from an employee's prior 401(k), is now subject to the new DOL Fiduciary Rules.
- With additional regulations comes additional paperwork, disclosures, complexity and possibly added expense to the industry as a whole.

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Interestingly enough, M3 Financial clients may see this legislation as largely a 'non-event!'

- Even with the new rules, our comprehensive process is designed to simplify your life to help meet your fiduciary obligations.
- M3 Financial is founded on the concept of being an independent and objective source of guidance, which in turn helps decision makers meet their responsibilities of running the plan for the exclusive benefit of its Participants.
- When selecting and monitoring investment choices, M3 Financial can assist you in this process by providing an objective analysis of fund performance and fees.
- M3 Financial helps monitor plan performance and compare these results with other similar retirement plans so these can be benchmarked.
- Even prior to the release of the new rules, M3 Financial has been a leader in the retirement plan industry, willing to act as a 3(21) Fiduciary under current ERISA rules. We give advice to both the Plan Sponsor and to Plan Participants in accordance with the higher fiduciary standard to which this new legislation is seemingly trying to push all advisors.

In addition, a third party webinar was also recently hosted. You will need to register your information before being able to listen to the playback. The webinar is one hour, but includes many great insights

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