Advisors Fear DOL Fiduciary Rule Could Hurt Their Service Models

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Many advisors are worried about what the Labor Department will require in its new fiduciary rule, according to a study by Fidelity Institutional released Monday.

Eighty percent of advisors are at least somewhat aware of the proposal and 73 percent are concerned the rule will have a negative impact on how they do business, Fidelity says. The survey, "Expectations of Upcoming DOL Ruling," included 485 advisors.

“Advisory firms are considering re-evaluating their service models, the products they recommend and the investors they serve in response to the pending DOL fiduciary rule,” says Tom Corra, chief operating officer, Fidelity Clearing & Custody Solutions.

“While broker-dealers are especially concerned about what these changes will mean for their day-to-day business, they are not alone. Many registered investment advisors -- who are already held to a fiduciary standard under the Investment Advisors Act -- are also seeing the rule as challenging, particularly its impact on their rollover and IRA business,” he adds.

According to the survey, 53 percent of advisors say that their firms plan to wait until the DOL rule, which would hold financial advisors dealing with 401(k)s and other retirement plans to a fiduciary standard, is finalized before undertaking any substantial action.

“While that may be the temptation, they should be considering the skill sets and the technology they might not have that will be needed. DOL may give advisors an extended time to comply with the more onerous rules, but it is smart to deal with these things ahead of time,” Corra says.

“Advisors need to decide how to communicate to clients any changes in the relationship that the client might see,” he adds.

Fidelity has created two new resources, Six Ways to Help Prepare for the Proposed DOL Investment Advice Rule, and Capturing Opportunities Created by the Proposed DOL Investment Advice Rule, available on the Fidelity Institutional website, to help advisors prepare for the changes.

Fidelity says advisors should carefully review business practices in key areas such as education, rollovers and referrals, and do scenario planning to understand the potential revenue impact and technology and compliance costs to implement provisions of the rule.

Advisory firms also will want to explore new business models and segmentation strategies for various clients and types of advisors, identify changes to infrastructure and support that are likely to be needed to implement the rule, and consult with experts to develop implementation plans.
