



2017 MDRT Annual Meeting e-Handout Material

- Title:** How the DOL Has Already Affected You, and Other Legislative Updates!
- Speaker:** Judi Carsrud
- Presentation Date:** Monday, June 5, 2017 and
Wednesday, June 7, 2017
- Presentation Time:** (Monday) 3:30 – 4:30 p.m.
(Wednesday) 10:00 – 11:00 a.m.
- Session Room:** Hilton - Orlando Ballroom IV

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#MDRT2017 **ORLANDO** FLORIDA USA NOV 1-4 2017
INNOVATION & INSPIRATION

Judi Carsrud
How the DOL Has Already Affected You, and Other Legislative Updates!




What We'll Cover

- Brief summary of the Department of Labor (DOL) fiduciary rule
- The Exemptions
- Delay Regulation
- Marketplace responses
- Q&A



DOL Conflict of Interest/Fiduciary Rule

- Expands the definition of fiduciary advice
- ERISA plans, rollovers and distributions
- What it means for:
 - Advisors
 - Financial institutions
- Grandfathering is limited



The Exemptions

- Advice for a fee is fiduciary advice
- DOL does not allow conflicts of interest when acting as a fiduciary
- Third party compensation (commissions, 12-b1 fees, trails, etc.) need an exemption
- These “prohibited transaction exemptions” are complicated



The Exemptions

- PTE 84-24
 - Necessary for fixed annuities, life insurance but NOT for indexed or variable annuities
- Best Interest Contract exemption
 - Necessary for all other advice for a fee
 - Includes disclosure, warranties, data retention and a contract between client and financial institution.



Discussion!

You have a client needing to roll over assets from a 401(k) to an IRA. The client has a low risk tolerance and specifically states she wants guaranteed income for life.

- Are you subject to the rule?
- Do you require relief from an exemption?
- What are factors to consider if you are not securities licensed?
- What is required if an exemption is necessary?



Discussion!

You advise an employer with a 401(k) and you hold educational meetings with the plan participants. You are paid an agreed upon amount of basis points on all plan assets.

- Are you subject to the rule?
- Do you need an exemption?
- If so, which exemption?
- Do you need contracts signed by the employer and the participants?



Discussion!

You have an IRA client who purchased a variable annuity with scheduled premium payments prior to April 2017.

- Are you subject to the rule?
- Do you need an exemption?
- If so, which exemption?



White House Involved

The White House sent a Memo to the Department of Labor directing the DOL to conduct a NEW analysis of the rule

- If there will be less access to advice, increased costs, increased litigation, or market disruption...
- DOL directed to rescind or revise the rule



Delay Regulation

- Regulation seeking delay for 60-days was finalized on April 7th
- As of **June 9th**, advisors must meet rule's Impartial Conduct Standard and will be fiduciary advisors
- Advice in clients' best interest, no misleading statements and compensation must be reasonable
- Other requirements suspended until 1/1/18



Revisions Anticipated

- DOL has been provided abundance of data showing there will be less access, increased costs, more litigation risk and market disruption
- We expect that between now and January, DOL will revise the rule
- Regardless, advisors **MUST** satisfy whatever requirements implemented by their B-D and insurance companies



What you need to know

- What is most important for advisors?
 - Know the requirements of your broker-dealer and insurance companies
 - Educate yourselves and your staff
 - Document the reasoning behind recommendations
- Stay Tuned!



Other Legislative Updates

- Tax Reform
 - House Republican Blueprint
 - Border Adjustment Tax
 - Trump's Principles
- Health Care Reform
 - Reconciliation rules