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Michele Dillon,

Avoid the Woulda, Shoulda, Coulda syndrome where the DOL Fiduciary Rule is concerned



I have no doubt that many bets were lost last week when it was confirmed that the DOL Fiduciary Rule will go into effect on June 9, 2017.

Over the past year, I have heard hundreds of advisors, brokers and financial firms discuss how the DOL Fiduciary Rule may impact their business. In many cases, those conversations devolved into bets on the likelihood that the DOL rule would be overturned or significantly defanged by the Trump Administration. The odds on that bet were so high that many advisors felt comfortable sitting back and not preparing their business for the Rule.

Fiduciary Rule or not, I always vehemently disagreed with this cavalier approach: I believe that potent market forces will force advisors who want to survive—let alone thrive—to retool four central pillars of their business.

What are those market forces, you ask?

- **Fee Compression:** At Russell Investments, we believe that continued fee compression and transparency in investment products will persist and only get worse. Advisors who anchor their value simply on creating investment solutions will commoditize themselves right out of the business because robo-advisors will always be cheaper.
- **Full Service Advice:** Add to that the fact that many high net worth clients are looking for more from a full-service advisor. They are looking for financial advice across all aspects of their life and with advice comes an expectation and responsibility to act in the best interest of the client. This is the essence of Fiduciary responsibility.
- **Liability:** Each client represents a unit of potential litigation risk to your business. It doesn't matter how big or how

small the account is; if the client feels underserved you and your practice could be at risk.

Russell Investments has long partnered with advisors in Canada, Australia, the UK, Italy and the U.S. This global experience is valuable because several of these countries have already seen the impact of regulatory changes like the new DOL rule and the fallout has been significant for those advisors who didn't prepare and were not ready to transition their practices to meet the changing needs of the marketplace. By some counts, 20% of UK advisors left the industry within the first year of their DOL-like rule going into effect. Among bank advisors, the attrition reached some 40%.¹

Our practice management coaching mission has always been to help our clients build sustainable, efficient and profitable practices designed to survive and prosper not only through the advisor's working years—but also through the career of their successor. Consequently, our theories, developed over 20 years of successfully coaching thousands of advisors, continue to stand the test of time when it comes to running a successful and sustainable practice.

We believe that firmly cementing the four pillars of sustainability in your business are essential to helping weather today's market and regulatory forces. Don't be among those left behind that say "Oh I woulda, shoulda, coulda!"



Pillar # 1—Manageable Number of Households: In order to meet the fiduciary standard under the new Department of Labor rule, the level of oversight required for client relationships will likely increase on the whole - thereby impacting the total number of households you can serve.

Pillar # 2—Product Inventory Control: By consciously managing the number of investment products you use, you can strike the balance between meeting clients' needs and the business economics of your practice.

Pillar # 3—Documentation of Key Processes: Documentation of the key processes used to service clients and act in their best interest will be critical to help manage business liability risk in a post-DOL world. Such documentation can also provide economic benefits: greater role clarity for team members and potential for enhanced enterprise value of your firm.

Pillar # 4—Optimized Client Experience: The standards for being a top-performing advisor are rapidly increasing. Creating a winning client experience and delivering full service wealth management advice across multiple aspects of a high net worth client's financial life will be essential.

The bottom line

Those advisors who were waiting for clarity on the implementation deadline of the DOL Fiduciary Rule now have it: June 9, 2017. We urge advisors to start now and make sure the Four Pillars of Sustainability are firmly cemented in their practice.

Disclosures: ¹ Source: <https://www.moneymarketing.co.uk/first-official-rdr-stats-adviser-numbers-down-20-bank-advisers-fall-44/>
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