PUBLIC SUBMISSION

As of: September 28, 2015
Received: September 24, 2015
Status: Pending_Post
Tracking No. 1jz-8lb0-xbu9
Comments Due: September 24, 2015
Submission Type: Web

Docket: EBSA-2010-0050
Definition of the Term ‘‘Fiduciary’’; Conflict of Interest Rule—Retirement Investment Advice; Notice of proposed rulemaking and withdrawal of previous proposed rule.

Comment On: EBSA-2010-0050-0204
Definition of the Term Fiduciary; Conflict of Interest Rule- Retirement Investment Advice

Document: EBSA-2010-0050-DRAFT-7521
Comment on FR Doc # 2015-08831

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General Comment

The XY Planning Network is an organization of Gen X and Gen Y advisors who deliver personal financial planning advice to underserved Gen X and Gen Y consumers for an affordable monthly fee. Our advisors operate solely on a fee-only basis, and are fiduciaries who are registered as investment advisers with appropriate state or Federal regulators.

The rapid growth of our network - up over 130 firms since our launch just 17 months ago, and adding 10-15 advisors per month - demonstrates a strong desire amongst a subset of financial advisors to deliver financial advice to younger consumers and the middle market, the very segment that various broker-dealer groups have claimed in testimony would lose access to advice were the proposed fiduciary rule to be implemented.

In fact, the irony is that not only is our growing base of advisors ready and willing to serve young consumers on a fiduciary basis, but it would actually be EASIER for them to serve consumers effectively under the proposed fiduciary rule, because the current regulatory environment actually puts fiduciaries at a competitive DISADVANTAGE to brokers offering conflicted advice.

The reason is that, simply put, conflicted advice allows brokers to charge more for their services, even while consumers think they're paying less because the commissions being paid are not transparent and salient to the consumer.

For example, according to Fidelity, the average 401(k) balance hit $91,300 by the end of 2014. On an IRA rollover of this size, a broker selling an A-share mutual fund could earn a 4% up-front commission of $3,652. By contrast, the typical advisor in our network charges $100 - $150/month for advice, a total cost of less than half the compensation of conflicted advice. And the advice delivered is more comprehensive than "just" focused on the $91,300 rollover itself. In fact, for consumers who want help with their investment accounts, our XY Planning Network has a partnership with so-called "robo-advisor" Betterment Institutional to help clients get investment allocations for a base cost of only 0.25%!

Yet again, the consumer doesn't see the $3,652 commission, but DOES see the transparent $125/month advice fee and the 0.25% AUM fee; the end result is that our advisors routinely hear from prospective clients that their advice fees are higher than their current broker, when in reality the true costs are dramatically lower! The end result: consumers end out with higher cost conflicted advice, instead of lower-cost fiduciary advice, because of the challenges when transparent fiduciaries are forced to compete with opaque brokerage firm compensation structures!

Accordingly, while various brokerage firms have claimed in testimony opposing the Department's proposal that young and middle-market consumers will no longer have access to advice if the fiduciary rule is implemented, our experience as advisors who are ALREADY fiduciaries and are ALREADY delivering advice to young and middle market consumers is just the opposite. In reality, it's already feasible to deliver fiduciary financial advice to the middle market and young consumers at a lower cost, as our 130-and-growing advisors currently provide. And were the competitive landscape made fairer with fiduciary transparency across the board, the ecosystem of fiduciary advisors serving the young and middle markets could readily expand even further!

Respectfully,
- Michael Kitces
Co-Founder, XY Planning Network
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