

“Dedicated to the best interests of retirement plans”

June 11, 2015

The Honorable Thomas E. Perez
United States Secretary of Labor
200 Constitution Ave NW
Washington DC 20210

Dear Mr. Secretary,

I am writing to you today to opine on the “talking point” misinformation that has been put forth recently by the opponents of the fiduciary standard rule that you have proposed on behalf of the U.S. Department of Labor and the White House.

Before I address that issue directly, it may be helpful to let you know that I am an investment professional that has worked successfully on both sides of this issue, for over 25 years. For many years I was a top-performing broker for one of the country’s largest banks –Series 7, 63 and 24 licensed. I further enhanced my knowledge and experience in this space when I become head of Europe, Middle East, Africa, Asia & Latin America for the bank’s \$40 billion asset management division. During my entire career, I maintained an unblemished compliance record staying fully compliant with, and knowledgeable of, FIRNA’s rules and regulations governing registered representatives and their activities.

After over 20 years successfully working as a trader, sales professional and sales executive for several banks and broker-dealers, I started my own Registered Investment Advisory firm (“RIA”) in June 2011 here in St. Petersburg, FL. I formed *Seabridge Wealth Management, LLC* as a fee-only investment advisory firm to provide an alternative to the questionable business practices that I witnessed over the years. In my view, far too many individuals, foundations, retirement plans, government/municipal entities and corporations were being taken advantage of, without their knowledge, by the common and systematic practice of hidden and excessive fees – as well as the conflicts of interest replete throughout the brokerage industry.

Having been a successful *broker* for many years and now a *fiduciary advisor* running a small RIA business, I have a unique lens into this business – and I understand both sides of this issue *extremely* well.

So it is with that background that I tell you that I *profoundly* disagree with anyone claiming the fiduciary standard you are working to implement, for the betterment of literally hundreds of millions of retirement plan participants across the country, is somehow going to harm brokers and brokerage firms – and force them to raise their fees and/or deny service to certain clients.

It was Upton Sinclair Jr., the American author from the early 1900’s, who said it best when he wrote, “it is difficult to get a man to understand something, when his salary depends upon his *not* understanding it.”

Brokers across the country, and their supporters [brokerage firms, banks, mutual fund companies, and insurance companies], are smart people – *very* smart. They know full well the rule you are trying to implement is the right thing to do for retirement plan participants in this country. But, they work within a system – and are paid *very* well in that system – to ignore this common-sense proposal from a job preservation perspective.

In other words, they are paid *not* to understand it.

Brokers, large and small, and their supporters, are trying to preserve the status quo – because the status quo is *very* profitable. In full defense of their excessive fees, they are putting forth the empty rhetoric you most likely hear every day: “a solution looking for a problem,” or “it’s only a few bad apples,” or, “we are going to have to raise our fees to stay in business.” The notion a broker will have to *raise* his or her fees because he or she would now be required to provide full disclosure of all fees, all material facts and any conflicts of interest is quite simply laughable. How can *any* of those disclosures be bad, for anything?

Lest opponents of the proposed rule forgot, there have been quite a few SEC-registered advisory firms formed over the last few years that offer investment advisory services through on-line technology. Using technology to their advantage has enabled these so-called “robo-advisors” to build and manage low-cost portfolios at a fraction of what investors typically pay human advisors. These firms make full use of the latest technology to bring experience and efficiencies to the investment advisory process – and they are profitable. The minimum account is as low as \$5,000 – and the fees are typically 0.25% of AUM. Not 2.50% is often the case with retail brokers, but 0.25%.

This new wave of on-line advisory firms (RIAs) is proof of that an investment advisory business can be run profitably, with the client’s very best interest at the forefront, and at a very low price to the client.

Other than those who actually *benefit* from these excessive fees and conflicts of interest, most rational and well-intentioned people agree this new rule is a very good thing for retirement plan participants and, at minimum, is the right thing to do. In my view, opponents of this rule are desperately trying to hold onto an antiquated business model that for far too long has been earning billions of dollars in excessive fees off the backs of the many who can ill-afford to have their investment portfolio balances compromised.

If Seabridge Wealth Management in St Petersburg Florida can run a profitable small business as an advisor, and still provide full disclosure of all fees and material facts up front and in writing to clients, then anyone can do it.

Thanks to increased access of information and transparency throughout the securities and investment management industry [due to exponential advances in technology] advisors of all shapes and sizes can leverage technology, as we do at my small firm, to provide the very best product and service to clients at the best price possible – and still be able to earn a living.

Along with the advent of the successful robo-advisors, my firm is proof that any advisory firm – brokerage firm or RIA – can run a profitable business while at the same time doing the right thing for clients every day.

Any claims brokers will be harmed by the proposed fiduciary standard is nothing more than empty rhetoric, and not supported by facts.

Respectfully,



Matt DiGennaro
CEO, Seabridge Wealth Management
St. Petersburg, Florida