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Department of Labor
200 Constitution Ave. NW
Washington, DC 20210

RECEIVED
OFFICE OF REGULATIONS
AND INTERPRETATIONS
2010 JUN 11 PM 1:20

Re: Proposed Change Relative To IRA Advice

Dear Sir,

I read the attached article regarding proposed changes in IRA investment rules and simply shook my head in total disbelief. The author says that the Department of Labor is proposing a rule that would prohibit commissioned based broker advice relative to IRAs. I am sure the proposal is well intended but I am convinced that it will have the opposite effect for which it is meant.

Who will benefit? The no load mutual fund families like Fidelity, T.Rowe Price, and Vanguard, and Register Investment Advisors who are compensated by fee instead of commission, but certainly not clients. Additionally, if this goes into effect as outlined, I can see thousands of brokers and small brokerage firms going out of business. Let me explain.

Clients can effectively handle their investments in three ways. They can attempt to do this themselves without the help of an advisor. However, studies show that historically those using an advisor generally out perform those doing it on their own. Investors are prone to mood swings based upon the recent past. They become more aggressive after the market has done well and become frighten and pull back when it retreats. Left to their own, they typically buy high and sell low. Additionally, investors tend to chase whatever sector has done best last. A good advisor can counsel diversification and the importance of keeping your eye on long term results rather than swing back and forth trying to time the market, which can be a fruitless and expensive.

Second, a client can hire a Registered Investment Advisor (RIA) and obtain advice by paying an ongoing fee which is typically a percent of assets under management. There is nothing implicitly wrong with this approach but in my experience, this can cost the client more over time than the commissioned based broker.

Third, they can use a commission based broker. I make use of American Funds for the majority of my clients. They are the nation's largest commissioned based fund family and pride themselves on lower than average expense ratios. This expense ratio (inclusive of 12-B-1 fees) is typically less than a similar no load fund at Fidelity, ignoring the extra 50 basis points that they probably have to pay the RIA. Yes, there is also an upfront entry load. However, many of my clients have enough at American Funds to qualify for an entrance at NAV (no load, yet a 1% commission is paid). The smaller client will initially need to pay an entrance load, but even here over time should pay less.

Over the years, I have always stressed to clients of the importance of taking advantage of 401Ks, if their employer provides one, and of always funding their IRAs. Consequently, a large portion of my clients' portfolios is held within retirement accounts. Losing this would shut down my practice.

I help clients in a number of ways. Many of which I do not bill for.

1. Initially, I help clients by doing some long term planning, determining how much they need to accumulate over time to meet their objectives and what annual savings is needed.
2. I spend countless hours teaching clients about investments and the importance of creating a balanced portfolio and of not chasing the latest fad or responding to the latest headline.
3. I help construct diversified portfolios selecting good investment companies with above average long term track records, low expense ratios, and tailored to the investors risk tolerance given the inevitability of short term volatility.
4. I monitor on these portfolios and these funds and regularly report to clients. During bad times, I do a lot of hand holding and additional counseling.
5. I help clients when loved ones die by walking them through the logistics of making claim and changing the registration of assets.
6. I periodically rerun long term financial plans determining whether changes are needed as a result of changes in objective; initial assumptions, or performance.

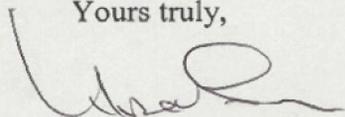
Frankly, I think I do a lot for my clients and I receive a lot of positive feed back. The smaller client pays a larger percentage to enter a fund but with less dollars and a smaller 12-B-1 fee, is no more profitable. The smaller client takes the same, if not more, initial time planning, teaching, and hand holding. However, even the smaller client should pay less for these services over time than they would with an RIA.

Over the past decade, small brokerage firms have seen a dramatic increase in overhead primarily related to fees and to compliance. This takes more and more time each year and gets more and more expensive. Taking away a large portion of our business would effectively shut our door. I have spent the past 25 years building a successful practice

and find it hard to believe that the government would destroy this overnight. Additionally the timing of this, given today's rocky economy, could not be worse, both for me, and more importantly, for my clients.

Please take this into account before enacting such a radical change. It won't help my clients.

Yours truly,

A handwritten signature in black ink, appearing to read 'Fred Slack', with a stylized flourish at the end.

Fred Slack

FA News
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| Print |*March 07, 2010***New Rules Likely To Shake Up IRA Advice**

The Department of Labor's push to expand the availability of objective investment advice will likely shake things up for brokers who advise clients on individual retirement accounts.

Financial advisors who haven't paid attention to the regulators' newly proposed rules, believing they apply only to advice given on 401(k) and certain other retirement plans, may be surprised to learn big changes are coming for IRA investment advice.

"Status quo isn't going to work, particularly for the IRAs," says Jason Roberts, a partner at law firm Reish & Reicher in Los Angeles.

The Labor Department released long-anticipated rules less than two weeks ago meant to ensure financial advisors provide unbiased advice at reasonable costs to retirement plan participants and beneficiaries. The proposal comes amid a broader push by lawmakers and regulators, following the market upheaval and investment scandals of the past 18 months, to motivate financial advisors to put their clients' interests first.

The rules would require financial advisors affiliated with a fund or insurance company to offer advice through an independent computer model or ensure that the compensation that financial advisors, their employers or employers' affiliates receive doesn't depend upon the investment choices a client makes in his retirement plan. Alternatively, financial advisors can provide education--general information about asset classes and allocation--but not specific investment advice.

"It's going to be critical for the financial advisors to understand the difference between education and advice--and in what capacity they can offer education versus advice," says Amy Glynn, director of retirements at Commonwealth Financial Network, an independent broker-dealer. Most financial advisors now don't understand this distinction, she says.

Clients whose brokers say they can't provide specific advice on retirement plans because they have incentives to recommend certain funds over others might wonder what other potential conflicts exist in the relationship, attorneys say.

The proposed rules could increase use of so-called wrap accounts for IRAs, in which clients pay a fee based on the size of their retirement account. They could also lead to the creation of new fee-based investment products.

"If adopted, I think it's going to cause a fundamental shift in the ways these firms do business," John Simmers, director of risk management and product development for the Compliance Department Inc. consulting firm, says of the Labor Department's proposal.

Some independent financial advisors and broker-dealers have been preparing for change. Commonwealth's fee-based retirement program has no preferred or exclusive financial arrangements with retirement product providers, Glynn says. That's meant to ensure Commonwealth financial advisors don't have incentives to recommend certain providers over others.

Commonwealth also sees an opportunity to recruit advisors who find it difficult to provide retirement plan advice at their current employer.

Friday's proposal was part of the White House Middle Class Task Force's year-end report released by Vice President Joseph Biden. Linking Biden to the rules signals the priority the administration places on objective investment advice, Roberts says. Biden's involvement is also a sign the proposal satisfied lawmakers who have introduced similar retirement advice legislation.

"The bottom line is that the newly proposed rule isn't all that different from the old one," Marcia Wagner, of the Wagner Law Group in Boston, says, referring to rules the outgoing Bush administration issued early last year, which were scuttled by the Obama administration. "Certain financial institutions are likely to be very interested in the new rule, but I suspect the folks who had problems with the '09 rules will most likely have problems with the new ones, too."

The Labor Department is accepting comments about the proposed rules until May 5.

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Comments

Jeff McClure

|2010-03-26 11:35:40

You seem to have missed a couple of things. The rules were not the result of VP Biden's taskforce, they are to implement the Pension Protection Act of 2006. The provisions in the rule are all contained in the statute and are federal law!
- Your ongoing use of the term "financial adviser" is problematic. You use that term for both registered representatives of a broker-dealer functioning as salespersons under federal law and those who are either individually registered or acting as representatives of registered investment advisers who are under a different law and already functioning as fiducieries. It is that blurring of the line between the two roles that has resulted in this law and in the bill that has already passed the House and the one pending in the Senate.

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