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Definition of the Term “Fiduciary”; Conflict of Interest Rule—Retirement Investment Advice

Comment On: EBSA-2010-0050-3491

Definition of Term Fiduciary; Conflict of Interest Rule-Retirement Investment

Document: EBSA-2010-0050-DRAFT-16534

Comment on FR Doc # 2017-04096

Submitter Information

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General Comment

Dear Ladies and Gentlemen,

I am a Registered Representative since 1984.

I am concerned that DOL rules force investment firm's investment policies into a defensive posture in order to protect themselves from plaintiff's lawsuits.

To accomplish this they must adopt investment policies and structured templates that conform with previously accepted industry standards of diversification and risk management.

These policies and templates are based on Risk Tolerance Questionnaires that in turn are based on assumptions of investment performance versus volatility and then are layered onto age based/lifestage grids. On the surface this seems reasonable and prudent until economic conditions and market realities are taken into consideration.

The DOL rules also set compensation guidelines that require standards that push firms towards the widespread employment of complex products like open and closed end mutual funds, ETFs, UITs, along with indexed algorithm driven computerized programs.

Lost in this risk management process are several important considerations. For example:

- * Complex product investment templates generally require ongoing systematic selling in order to generate cash flows. This strategy is often detrimental to portfolio protection in declining markets.
- * Smaller client portfolios may not have the ability to own individual stocks and bonds which often provide important tactical advantages.
- * Many useful solutions may be excluded because the mandated fiduciary templates will not accommodate them.
- * The ongoing cost of fee based investment programs may be considerably more expensive than traditional commission based brokerage accounts when measured over the long term. A 1% per year fee based account may consume a quarter of a portfolio's total return over a normal retirement period.
- * DOL conforming "Age-Weighted" templates require greater proportions of bonds and cash which risk principal erosion during rising interest rate environments we face currently.
- * An investment program should be free to take advantage of opportunities and avoid pitfalls, without mandated encumbrances, and focuses on the client's needs in a prolonged retirement.

These are just a few points of concern. Harmful restrictions and performance limitations can be the by-products of well intentioned rules and regulations. Investment professionals require and investors need the flexibility to engineer investment portfolios that truly reflect the client's needs and market realities over government imposed guidelines. Clients will generally be in retirement longer than they were in their good earning and saving years. They risk losing an average of over 1/2 their purchasing power in retirement. They must not be restricted by preprogramed age-weighted templates predetermined to comply with defensive rules.

I believe the financial health of the country hinges, in large part, on the financial independence of the significant numbers of retired and retiring generations. I am convinced that there are ample laws and regulations, already in effect, that protect the retirement plans of the investing public.

My comments represent my personal opinion and concerns. I am not commenting as a

spokesman or representative for any person or entity other than myself.