From: Paul Kanago
Sent: Friday, April 07, 2017 1:03 AM
To: FiduciaryRuleExamination - EBSA
Subject: RE: RIN 1210-AB79 Comments on the Fiduciary Rule Examination correction

Correction - Sorry please dis-regard my last submission but please read this one….

The Fiduciary Rule if enacted will force investors to work with advisors who must act as fiduciaries because the investors will no longer have a choice.

They currently do have that choice and by enlarge choose not to do business with Registered Investment Advisors. (and believe me there are is no shortage of RIAs)

Why do investors not currently choose to work with a Fiduciary Entrusted Advisor? 2 Reasons – Time and Money

There is a false assumption that if you do not give investors a choice and force them to work with a registered investment advisor that they will… this is false for a variety of reasons… but all the reasons fall into 2 categories Time and Money:

1.) Most investors do not want to spend the amount of time that a Fiduciary Entrusted Advisor will have to spend with them collecting data, setting goals, objectives, risk tolerances, examining and documenting their past experiences so that they can produce individualized projections, analyses and written proposals so that they can document that what they are recommending will stand up in a court of law… because that is where it is going to end up… answering to an attorney who will be grilling them on every last detail of why 7% of the investor's portfolio was or wasn't placed in Bio-Pharmaceutical Stocks 5 years ago?

2.) Why won't investors want to spend a great deal of their time with these Fiduciary Entrusted Advisors? Because they will be getting billed for their services at rates that will make attorney's fees look reasonable. Not because advisors are greedy but because advisors can charge $200.00 per hour and spend 40 hours a year working for an investor with $800,000 of investment capital and only cost them 1% per year to work with them… however they can't charge a client with a $40,000 for 40 hours at $200.00 per hour because if they did charge the same fee and did the same work they would be costing the investor 20% per year… which we all know is ridicules… if you are shaking your head up and down right now remember that… because no matter how many dollars a client comes to the table with the advisor is now not just preparing a plan for the clients future… he/she is also preparing documentation for a court of law one day in the future and that takes time, procedures, documentation, file storage, personnel, software technology ongoing updates. If the advisor charged $200.00 per hour for 2 hours of work each year the advisor would receive $400.00 or 1.0% of the $40,000 portfolio… and would have to work with 20 investors that have $40,000 portfolios to make the same amount of money and what would the investors get for their 2 hours per year?… an opportunity to sue in court for not spending enough time on their case… ridicules is right… even

if the smaller investors would line up for their 4 half hour appointments… advisors would not take them… because it will only take 1 or 2 of the 20 to take them to court one day and cost them what they would receive servicing them in this manner over their lifetime.

The result of this misguided attempt to enrich litigating attorneys in this country is a large group of unserved small investors who will be forced to work with ROBO-ADVISORS on 800#s located 10 states away.

These ROBO ADVISORS will get paid by their employers to pare down those 4 half hour service calls per year to 5 minutes and handle 6 times as many investors so they can pay them near minimum wage for minimum service all the while standing behind the vail of not having received or charged a commission. Contracting with the employer or fund group for a $50 per quarter advisory fee and a .25% 12b1-fee for advice which by the would still end up costing the investor 1.50% per year when the management fee of the no-load target rate fund they recommending is added in because if they recommend anything else they would have to get to know the investor enough to be able to stand up in court one day and defend themselves.

If you have yet to start shaking your head back and forth wait until you read why we are even having this conversation… It has nothing to do with client's best interest… if it did clients would have been the ones bringing this to the forefront… they did not. Must be the Advisors then they must be the ones that are out in full force knowing that they are unable to work in their client's bests interest without fiduciary powers… no it is not the Advisors… Oh yeah those greedy money hungry litigating attorneys that must be who… right? No not even those crafty litigating attorneys… even though they are behind it now… it was not them who were the push behind this rule change… Then who? It was and is the Government… that right and they are here to help you…… RUN!

About 20 years ago Defined Benefit Plans as a group started to dwindle in numbers and in the past 10 years have disbanded in hoards and as they have struggled to survive. The DOL which oversees these plans has struggled to maintain a reason for their existence in this regard so instead of doing something noble that nobody in Federal Gov't has ever done and that is stand up and say "Hey we are not needed over here anymore lets disband this division and save the taxpayer some money!" They decided instead to change the meaning of the word Fiduciary so that it would not only revive their reason for existence but expand their outreach into private individual plans so they could exert more power and control over the public inflate their departments, titles and salaries and in nobody's "Best Interest" except their own… It took them 6 years to get it lined up because they could not find anyone to back them… "A Solution in Search of a Problem" but overtime they got those companies whose "Best Interests" were going to be served behind them… you know those software firms, those ROBO Advisors, Those Fee Only Advisors, those RIA Firms, The Advisory Magazines and of course those litigating attorneys, and even with all that… they still could not find enough backing to go about it through the legislature… so they went to the King of Executive orders and wallaaaaah… overnight Obama waived the magic wand and turned every stock broker in the United States into a fiduciary… what could go wrong with that?

Ridicules… now which way are you shaking your head?

Sincerely yours,

Paul L. Kanago, CFP