As of: 4/28/15 8:32 AM
Received: April 27, 2015
Status: Pending_Post
Tracking No. 1jz-8ij7-ir8p
Comments Due: July 06, 2015
Submission Type: Web

PUBLIC SUBMISSION

Docket: EBSA-2014-0016
Fiduciary - Conflict of Interest Exemptions

Comment On: EBSA-2014-0016-0001
Proposed Class Exemptions: Principal Transactions in Certain Debt Securities between Investment Advice Fiduciaries and Employee Benefit Plans and IRAs

Document: EBSA-2014-0016-DRAFT-0010
Comment on FR Doc # 2015-08833

Submitter Information

Name: Anonymous Anonymous

General Comment

One can be an advisor, or one can be a broker, but one can not be both:

"Advisor" and "Broker" are mutually exclusive terms. An "advisor" is expected to provide clients with sound investment/financial advice that is in the best interest of the client, period. Such a professional should have no interest in compensation for any recommended/purchased products, only for the advice/guidance delivered. A "broker" is a salesperson. A broker's interest lies in the compensation he/she will receive from a sale, and nothing more. True, brokers are not permitted to sell anything that is blatantly "unsuitable" for a customer (I think "customer" is the appropriate nomenclature for purchasers of products offered by brokerage firms), but such a guideline is ambiguous at best, and usually misleading. One forced to make a living on commissions is a salesperson, and a salesperson doesn't lose sleep over what he/she sold to a customer, only if he or she has customers to begin with.

It is only fair (to millions of savers and investors) to definitively distinguish between the two professions, and not permit the commingling of professional terms, that only result in a misleading and unfair practice that swindles so many Americans. Culprits like Edward Jones (with whom I am currently employed as a financial "advisor") promote themselves on the premise that they bring clarity and transparency to the investment process, always doing what is best for the individual investor, but this is false, as their brokerage status prevents them from making good on this claim. Such firms pressure their employees to sell products that look good on paper, but omit important and objective details about investment performance and fees, resulting in smaller real gains for the client, but large bonuses for employees able to justify that their advice is worth a 6% front load on an active mutual fund that (after ALL fees) has not managed to beat its index over the long term, or that the purchase of a touted stock merits a $50 (minimum) commission. Unfortunately, the required prospectuses and other mandated disclosures do not dictate the inclusion of this information, at least to the extent it should be divulged.

Many consumers are becoming wise to this fallacy, but they are largely younger, more educated professionals with technical literacy (hence the rise of online financial services like betterment, wealth front, future advisor, and numerous other discount, and even free, brokerages). In time, they will tilt the balance away from over-priced and dishonest brokerage firms, but until then, many older or less savvy investors are left in the lurch and without a clue, standing to lose more and more, not to market volatility, but to unnecessary and unexplained expenses. Historically, diversified portfolios (as promoted across the industry) have returned an average of around 6% per year. If an investor ten years from retirement buys into a diversified fund with a 6% load (plus almost another 1%-2% in annual fees), and has to shave 6% off his/her principal every time an additional contribution is made, how appropriate is it to convince said investor that his/her money is not better off in a lower-yielding, insured and transparent bank product?

In the end, financial professionals can profit of of what they sell or what they tell, but not both. There should be a discrepancy regarding whether an individual is a salesman or a consultant, not the continued allowance of a harmful hybrid of the two.