May 20, 2015

Feds Propose Greater Consumer Protections Regulations on Behalf of Retirees

"[Let's] protect seniors with regulatory measures that hold all advisors to the same solid fiduciary responsibility throughout the industry." *--Kurt Fillmore*

According to recent Labor Department research, lack of regulatory protection costs American investors a minimum of $17 billion, or 1 percent of their assets each year. After four years of reworking a previous reform policy that was rejected in 2011, federal regulators have proposed new rules requiring more investment professionals to act in their clients' best interests regarding investment decisions that involve retirement funds. In legal terms it is known as fiduciary duty, but not all financial advisors are held to fiduciary standards.

The proposed rules would eliminate certain loopholes many brokers have relied on for decades to bypass fiduciary responsibilities when advising their clients on retirement money held in IRA and 401 (k) accounts, which currently represents an estimated $7 trillion.

By updating the 1974 Employee Retirement Income Security Act (ERISA), these newly proposed rules also address the current realities of retirement preparedness and take into consideration the fact that people are living longer and therefore need access to a guaranteed income stream that can last them 25-30 years or longer.

There are currently few hardline regulations in place to protect everyday investors from being taken advantage of by incentive-fueled brokers more interested in commissions and perks than what is best for the consumer.

The financial services industry has built a reputation for becoming an obstacle course for ordinary individuals who often find themselves wondering whether their advisors are actually safeguarding their interests, or pushing investment products that don't meet their individual needs.

The Labor Department's effort is expected to save investors $40 billion over a 10 year period, although regulators say it falls short of resolving all of the problems that plague the financial services industry.

Wealth management advisor Kurt Fillmore is meeting with lawmakers in Washington D.C. later this month to discuss the state of financial regulation in the U.S. and make the case for financial advisors held to a fiduciary responsibility across the board, particularly those who advise retirees.

"The stock market is at an all time high and six years into a bull market," Fillmore says. "At the same time, interest rates are extremely low, so retirees are placed in a difficult situation when it comes to generating the same amount of retirement income that was available just a few years ago.

"Until we can protect seniors with regulatory measures that hold all advisors to the same solid fiduciary responsibility throughout the industry, we must make an effort to educate investors on the variety of resources available to provide financial security throughout their retirement years."

In addition to the potential for

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giving wayward investment advice, the way some brokers are paid can present serious conflicts. While brokerage industry groups argue that the new rules will dismantle their ability to do business, regulators say they will still be at liberty to charge commissions and engage in revenue sharing practices. The biggest change for non-fiduciaries handling retirement accounts will be a requirement to enter into a contract with their customers stating that they are putting the investors' interests first and disclosing any conflicts that may prevent them from doing so. This contract will give investors greater recourse in any future disputes.

Regulators will collect comments from the public, including industry groups, consumer advocates and other stakeholders, until mid-July. They will make their decisions on the final language of the regulation after reviewing these comments.

As it stands today, only registered investment advisors are legally required to adhere to the fiduciary standard. Brokers who make recommendations regarding retirement money are only obligated to recommend "suitable" investments based on the client's personal situation, taking into consideration the investor's age, tolerance for risk, short term and long term goals, which does little to protect consumers from unsafe investment advice that can generate more profits for the advisor. If the new rule is enacted as presented, it will be expanded to mandate fiduciary responsibility on all brokers who make recommendations on retirement money.

About Wealth Trac

Wealth Trac Financial Group is a full-service retirement planning firm based in Bingham Farms, Mich., serving clients throughout the Detroit area. Led by president Kurt Fillmore, the team at Wealth Trac uses a wide variety of strategies to create truly customized and individualized plans for each of their clients, ensuring financial security in retirement. To learn more, visit WealthTracFinancial.com.