

DOL - Frequently Asked Questions

Has the Department of Labor (“Department”) released additional guidance regarding implementation of the DOL rule?

No. While the Department did issue technical corrections in early July, there was nothing included in those corrections in the form of substantive guidance on implementation. The Department has indicated that there would be more guidance to follow in a question and answer format, but did not provide a timeline for the release of the guidance.

What is Advisors Excel doing currently to work toward implementation?

PricewaterhouseCoopers (PwC) was in house for a two-day strategy session with key AE staff in mid-July. We have formulated a plan for implementation and are currently in the development stages of processes and procedures for compliance. As we develop systems, we will release plans to ensure you have the latest information. While we are hopeful the lawsuits currently ongoing will be successful in overturning the rule, we do not have the luxury of waiting for the outcome. Accordingly, we must prepare as if the rule will be implemented. We are recommending the same philosophy for our advisors.

Upon completion, Advisors Excel will have the necessary policies and procedures in place to help you comply. Further, AE will begin training and education on the changes well in advance of the implementation date to allow you time to adapt your practice as necessary. In addition to hiring a Washington, D.C.-based law firm and PwC, AE is (and will continue) to add human capital to key departments to ensure we have all the resources necessary to facilitate compliance. Assisting your practice in navigating the requirements of the rule is our top priority.

What are carriers doing to prepare for implementation?

Advisors Excel is in regular contact with nearly a dozen carriers, which are in varying stages of compliance. While some have outlined their distribution strategy and are working toward implementation, others are taking a more guarded approach, waiting to see what steps their competitors are taking before committing. We fully expect carriers to congeal around processes and practices that are similar to RIA or broker-dealer oversight systems and those are the indications we are seeing from carriers who are at the forefront of implementation.

What will the rule mean for my business practice?

Quite simply, your practice will change. The DOL’s emphasis is on eliminating conflict of interests among advisors. The DOL will rely on lawsuits from clients to enforce the rule. For that reason, it will be vital to fully document your sales process with each client so as to insulate your practice and provide documentation to prove you acted in the best interests of the client in each transaction.

What is going to happen to independent agents/FMOs in the post-DOL world?

We believe the industry from a producer aspect and an FMO aspect will get smaller. Advisors are going to be required to adapt their business model to documentation-heavy and compliance-focused practices in order to comply with the rule's requirements. Simply put, some agents will not be able to clear this hurdle and will likely leave the business. In order to accomplish the goal of compliance, advisors will need to partner with FMOs that are capable of expending resources toward that end; Advisors Excel has the resources and is committed to providing the tools necessary for implementation.

We believe the DOL rule, while onerous initially, will provide a tremendous business opportunity for your practice. Higher compliance costs are not ideal, but they also have the effect of driving competitors not willing to invest away from the business. We believe this is true from both the FMO and advisor perspectives and we stand ready to capitalize on this opportunity for our own business and those of our advisors.