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Take a Deep Dive into the SEC's Investment Advice Rule Package

ATTORNEYS & PROFESSIONALS

David Levine
dlevine@groom.com
202-861-5436

Kevin L. Walsh
kwalsh@groom.com
202-861-6645

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For over 80 years, Congress and regulators have struggled to determine the appropriate standard of care for individuals and entities that make financial recommendations to individuals. Today, when we think about Reg BI, the Department of Labor's new fiduciary rules, state fiduciary initiatives, and the CFPB's rules that are coming online next year, they're all part of the same ecosystem.

In terms of context, what it's all trying to get at is how retail investors learn about investments. And there are four factors: (1) there's a fear that salespeople are going to mislead individuals; (2) there's a fear that people are going to prefer free advice versus paying for advice (commissions versus an AUM fee); (3) there's a fear that people are going to have worse outcomes if they don't actually get advice (we don't want rules structured to discourage people from getting advice); and (4) there's a fear that more complex rules could reduce financial innovation.

In the September 2019 edition of the Journal of Financial Planning, Kevin Walsh and David Levine discuss the SEC's new rule package in, "Take a Deep Dive into the SEC's Investment Advice Rule Package."

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