



Fiduciary Rule Finalized

The Department of Labor released its long-awaited final fiduciary rule on April 8, 2016. This rule is a significant change to 401k programs, which will require employers and their benefit advisers to revamp their communications and advice-giving practices for *some* retirement plans. Though the final rule has been changed significantly from the original recommendations, including full compliance not needing to occur until January 1, 2018. The purpose behind the rule remains the same; to “protect middle class workers and investors.” Some are saying that this rule is to 401k programs as the ACA was to healthcare.

In summary, the new rule will designate anyone providing investment advice for retirement plans as a fiduciary, requiring advisers, planners and wealth managers to place their clients' financial interests ahead of their own. Advisers must also disclose any potential conflicts of interest to plan participants, and failing to do so would expose them, as well as the employers that hire them, to lawsuits and ERISA-violation penalties.

The final rule explains what does—and does not—constitute fiduciary advice. Included are examples of communication that do not rise to the level of a recommendation, and thus would not be construed as advice. In particular, it specifies that education is not included in the definition of retirement investment advice, freeing advisers and plan sponsors to continue to provide general education on saving for retirement without assuming fiduciary responsibilities. This is a “win” for human resource professionals who customarily are looked at as the “internal” resource by employees.

Those within the industry, believe that the changes being made will help address some of the unscrupulous behaviors of some advisors who direct their clients to a product that benefits the advisor more than the investor. This being stated, the rule doesn't have support of the U.S. Chamber of Commerce who says they will file suit against the DOL for reasons including how the final rule will impact compliance obligations and costs for plan sponsors.

To read the final rule, click [here](#). The DOL also has posted a fact sheet highlighting [key aspects of the final rule](#).



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