

Part I: Taking Investment Advice with a Grain of Salt: The DOL Fiduciary Rules May Make You Rethink that Rollover

Description

You probably know when you can withdraw/rollover money from your 401(k) plan (generally when you leave employment, turn 59.5, or retire). But many folks don't realize that in most cases, those withdrawals/rollovers are optional; you could leave your money in your 401(k) plan after retirement and use it just like you would an IRA. So the real question is, what should you do with your 401(k) assets? And that is where the new fiduciary rules may affect you.

The U.S. Department of Labor ("DOL") published its much-anticipated final fiduciary rules last week, set to go into effect on April 10, 2017. These rules create a heightened standard of conduct for investment advisers.

Why does the DOL feel new rules are necessary? While most investment advisers adhere to high professional and ethical standards, under the current rules, they are not legally bound by common sense rules you probably already thought were required: that they make investment recommendations that are in the best interest of their clients, that they charge reasonable fees for their advice, and that they disclose any conflicts of interest. Unless an exception applies, investment advisers will now be required to comply with all of those rules, and to acknowledge their status as fiduciaries.

How do the new DOL rules affect 401(k) plan participants? It is an increasingly common trend that individuals at or near the end of their working careers consult an investment adviser to plan for retirement, and to receive advice to roll 401(k) or other qualified retirement account assets into a privately managed IRA, annuity, or other financial product. This is not an inherently bad practice, but many investors do not realize that while their 401(k) plan is subject to ERISA fiduciary rules, the privately-managed alternatives may offer less fiduciary protection, higher fees, or increased commissions than other comparable (or even superior) products.

What should individuals do now? Review your portfolio, especially regarding any fees and commissions, to ensure you are maximizing the value of retirement savings. If you are approaching retirement age, make sure you review all available options, and the costs associated with each option, including the option of leaving 401(k) money in your 401(k) plan. Finally, ask your investment adviser what they are doing now to comply with the new rules.

The retirement community is still figuring out the impact of the new DOL fiduciary rules. In the long run, however, everyone – investment advisers, participants/retirees, and pension plans – should benefit from this rule change, because the new rules create a market for competition amongst investment advisers based on quality of advice, instead of price.

Part II: For plan sponsors:

[Taking Investment Advice with a Grain of Salt: The DOL Fiduciary Rules May Help Your 401\(k\) Plan Participation](#)

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