

The DOL Fiduciary Rule: Broker-Dealers' Perspective



Half of broker-dealers (BDs) think advisors will no longer be able to serve clients with low account balances. And more than half say advisors will leave the business or retire rather than sell under the new DOL fiduciary rule. Those are among the findings of a new LIMRA Secure Retirement Institute study.

BDs THINK THE RULE WILL LIMIT ACCESS TO ADVICE.

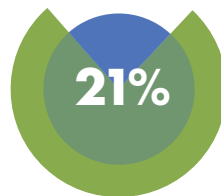
- 50% believe advisors will no longer provide advice to clients with **low account balances**.

AND RESULT IN AN EXODUS FROM THE CAREER...

- 54% think advisors will **retire or leave the business** in many cases rather than sell under the new rule.

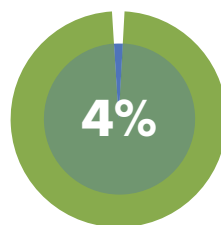
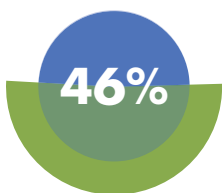
WHILE SOME BDs HAVE BEGUN TO IMPLEMENT CHANGES, MANY ARE STILL DEVELOPING THEIR RESPONSE PLANS.

Created a response plan and have begun implementing it



Created a response plan, but have not begun implementing

Formed teams to study the rule, but have not created a detailed implementation plan



Thought through implications at high level only

LAWSUITS AND CHANGES TO ADVISOR COMPENSATION ARE BDs' CHIEF CONCERNS.



75% Increased litigation

61% The high cost to implement required changes

68% Changes to advisor compensation practices and structure

43% Increased compliance costs

BDS EXPECT TO USE THE DOL RULE'S EXEMPTIONS.



89% PT 84-24 for fixed annuities

31% BICE for all retail products

71% BICE for certain retail products (e.g., VAs)

AND IN ORDER TO AVOID CONFLICTS OF INTEREST...



58% are considering uniform commissions for all VA products

42% are considering uniform commissions (including trails) for all FIA products

BD PREDICTIONS ABOUT THE RULE'S IMPACT:



93% Industry consolidation will occur as a result of the rule

86% Sales of fee-based advisory (managed accounts) will increase

89% Sales of variable annuities will decrease

78% Market forces will eventually decrease advisor compensation

METHODOLOGY

This post-final rule survey was conducted in July 2016. Twenty-eight firms participated: 24 insurance-company affiliated BDs and four independent BDs. The full report is available at limra.com/dol.