THE DOL RULE IS HERE

Please see the following information to help you get acquainted with DOL requirements starting June 9th.

From June 9, 2017 - January 1, 2018, we will be in a Transition Period.

The goal of the Transition Period is to begin to integrate parts of the Rule into our practices while we all build to full compliance with the Rule starting January 1, 2018.

What you need to know prior to June 9th:

1. Fixed and Fixed Index Annuities have moved back to PTE 84-24.

   a. They are no longer under BIC, and therefore, a BIC is not required at this time.

2. You become a Fiduciary when making recommendations to your client on qualified plan transactions where you would receive compensation.

3. What types of transactions are covered:

   a. Qualified Plan to Qualified Plan
   b. Qualified Plan to Non-Qualified Plan
   c. Non-Qualified Plan to Qualified Plan

   Not Covered: Non-Qualified Plan to Non-Qualified Plan

4. What types of Plans are Covered:

   a. Defined-contribution plans: 401(k) plans, employee stock ownership plans, Simplified Employee Pension (SEP) plans and saving incentive match plans (simple IRA)
   b. Defined-benefit plans: pension plans or those that promise a certain payment to the participant as defined by the plan document
   c. Individual Retirement Accouts (IRAs)

5. What Transaction Activities are Covered:

   a. Advisability regarding the holding, selling or exchanging of qualified assets
   b. Includes rollovers and transfers
   c. Recommendations regarding the managements of a portfolio
   d. Where the advice is individualized for the retirement investor

6. How must you act during the Transition Period?

   a. You are a Fiduciary

You must follow the Prudent Man Rule — You must use the "care, skill, prudence and diligence," and act in the same way that someone "familiar with such matters" would act. Make sure you have a firm understanding of your client, your products, your markets and the DOL requirements.

To help you with this, our DOL webpage will offer a number of training courses to take at your convenience.

You must be loyal to your client — loyalty involves putting your client first. You work to address your client's interests without regard to satisfying your own interests. Conflicts of interest occur when you have competing interests — for example, getting a commission if the client buys the product and getting nothing if they do not.

7. You must follow Impartial Conduct Standards

Under the Impartial Conduct Standards, you must charge no more than Reasonable Compensation, act in your client's best interest, and make no misleading statements.

8. Charge no more than Reasonable Compensation
The DOL ruling does not define specifically what Reasonable Compensation is, but rather takes a principle-based approach. Under a principle-based approach, one follows the spirit of the guidance and exercises their professional judgement. Traditionally reasonable compensation has been a market-based standard. Is your compensation in line with amounts being received by others in the market? "The market" will consider recommendations of similar products as well as the services, rights and benefits provided to clients versus what others do and the compensation received for those services. Reasonableness will depend on the facts and circumstances at the time of the recommendation.

On January 1, 2018, we as well as other organizations will look at levelizing compensation as a means of further satisfying the Rule. More to come later as we get closer to January 1st.

9. You must act in your client's Best Interest
You must act in the best interest of your client. You must disclose and eliminate any conflicts of interest. In order to act in your client's best interest, you must know your client — their financial situation, their goals and objectives, their concerns, risk tolerance, etc. You will need to conduct thorough fact finding and keep records on your information in order to demonstrate you did what you could to learn about your client.

10. You must not make any misleading statements
You cannot: Provide misleading statements, exaggerate, use fear tactics, create false senses of urgency, omit material information, use misleading titles, or use any unapproved sales and marketing material.

11. PTE 84-24
Under PTE 84-24, you must follow all the above requirements and in addition, provide a compensation disclosure to your clients. Specifically, the disclosure must include:

a. Your relationship with the carrier of the product you are recommending
b. The compensation you will receive as a result of your recommendation
c. A description of any charges, fees, discounts, penalties or adjustments that may be imposed with the purchase holding, exchange or sale of the annuity contract
d. A notice on Certain Conflicts of Interest

Most carriers will include this disclosure along with their application paperwork. We also will be providing a generic disclosure in the event you do not receive one from your carrier. This disclosure does not need to be sent in with your application paperwork. You need to leave a copy of the disclosure with your client and keep a copy for your client file. Our disclosure will be posted on our DOL Webpage.

12. What else do you need to do?
Most importantly, you need to be able to show a best-effort attempt to comply with the above requirements. Make sure that you use a fact finder with every client, you keep copies of any recommendations and product illustrations, applications and your 84-24 disclosure in the client file. Your client file must be kept for six years. Make sure any sales and marketing materials used are approved for use.

Resources for Contracted Advisors June 9th (Transition Period) and beyond.

1. A Fact Finder — In case you do not have one
2. An Agent Attestation — This is a form you will sign for your records stating that you acted in your client's best interest
3. A generic Compensation Disclosure
4. DOL FAQs — Copies of all the FAQs provided by the DOL for your reference
5. Training — The following training courses are available for your review:

a. Understanding FIAs
b. Understanding Annuities
c. Understanding IRAs
d. Understanding Distributions from Retirement Plans
e. Understanding Required Minimum Distributions
f. Understanding IRS Section 72

6. Seminars

a. Seminar Training
b. Understanding Distributions from Retirement Plans

7. Sales and Marketing Guidelines

a. Under the Training Section

8. DOL Webinar Replay

9. Technology

We are currently building two technology solutions which will be rolled out shortly.

a. Riskalyze — Riskalyze is an innovative approach to helping clients understand their risk preferences and help them understand portfolio selection. It also helps to demonstrate the vital role fixed index annuities can play in portfolio stabilization.

b. FireLight — Firelight e-application platform automates the way applications are completed and submitted. With a familiar application process, intuitive interface, behind-the-scenes powerful rule engine, mobile and disconnected capabilities, and built-in e-signature, FireLight makes transacting business anytime, anywhere, quick and easy.

10. Rollout and Support

We will be hosting a webinar to review what you need to know for the DOL Transition period. In addition to the tools listed above, we are in the process of developing:

a. A DOL Transition Period Adviser Guide
b. A DOL Adviser Brochure
c. Mini-DOL Webinars
d. Postcards
e. Web Banners
f. Whitepapers

Our platform will not be a hasty fix to comply with the Rule, but rather a measured approach of not only looking at the DOL Rule, but beyond — what will the adviser and practice of the future look like. Our tools will be developed with you and your practice in mind, with the goal of — how can we help you grow your practice.

STAY TUNED FOR UPDATES.
WE APPRECIATE YOUR BUSINESS!