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Ask the Experts: Financial FAQs (Summer 2018)

In this issue, we look at rollback of the Department of Laborâ??s conflict of interest ruleâ??otherwise known as the Fiduciary Ruleâ?? and address the important issue of optimizing retirement savings.

Q: What happened to the Fiduciary Ruleâ??and what will change now that it has gone away?

A: On March 15, the U.S. Court of Appeals for the Fifth Circuit vacated the Department of Laborâ??s (DOL) Fiduciary Rule. Ruling in *Chamber of Commerce of the United States of America v. DOL* (5th Cir. 2018), the court struck down a lower court decision, finding that the DOL exceeded its authority in issuing the regulation and its related exemptions. While there is some possibility that it will be resuscitated, it appears that the Fiduciary Rule is dead, and when it becomes official, it will be as if the rule never existed.

Regardless of its fate, the Fiduciary Rule has made a lasting impact on the financial services industry and the agencies that regulate it. One positive side effect is a higher level of consumer awareness around what a fiduciary is and why fiduciaries are beneficial.

In addition, the Securities and Exchange Commission (SEC) has proposed regulations to help fill the gap, and several state legislatures have taken up the mantle and are in various stages of lawmaking in the area of fiduciary standards. Though the SEC proposal is much less stringent than the DOL rule when it comes to investor protection, it does raise the bar by mandating a â??best interest standardâ? • of care along with increased and simplified disclosure.

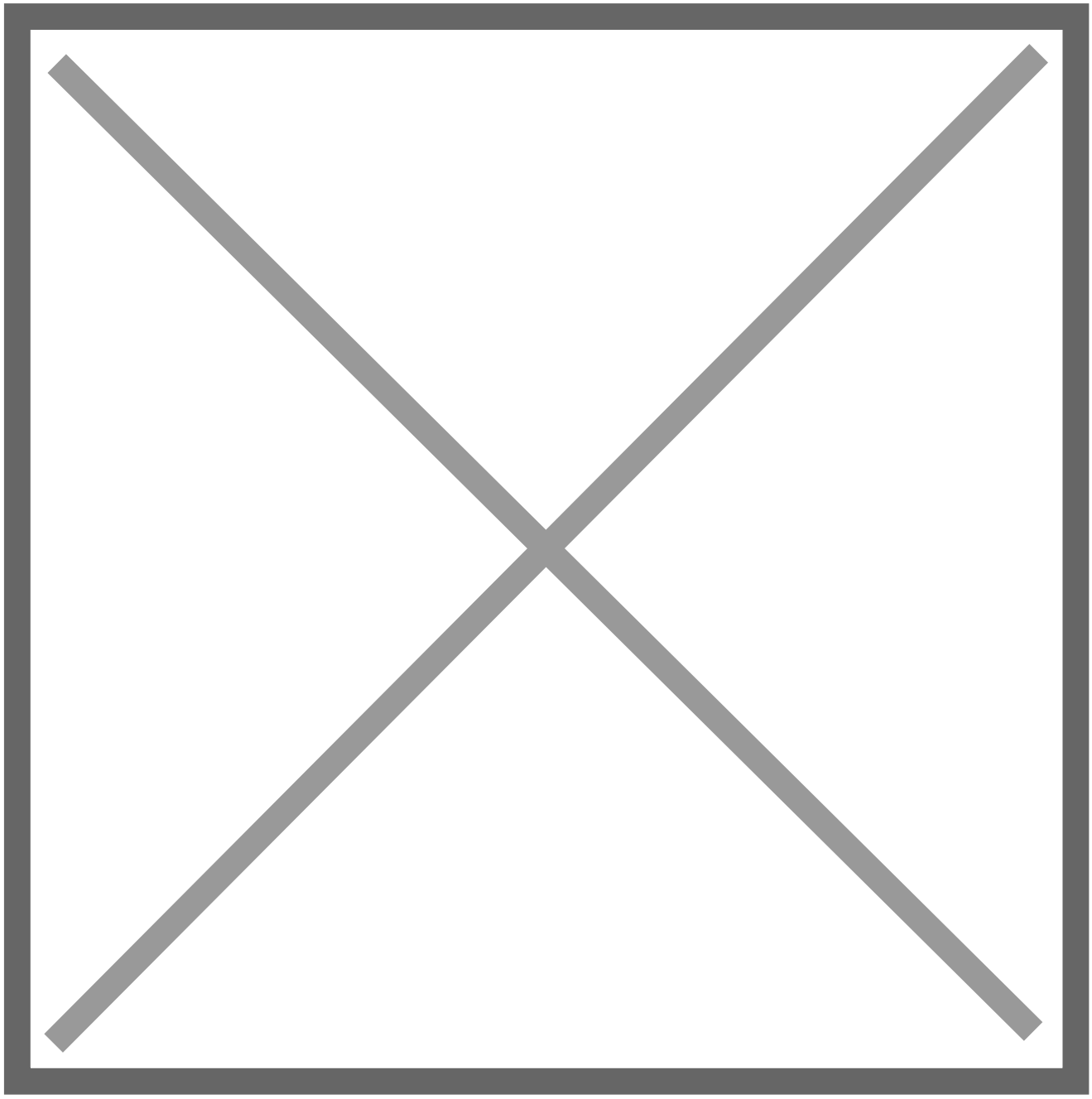
While the rise and fall of the DOLâ??s Fiduciary Rule shifted the financial services industry toward greater transparency, the regulatory environment has been rolled back to 2016, along with important investor protections. Put more bluntly, the problems the DOL sought to address still exist, so investors should take care when selecting a financial advisor and seek to understand the standard of care to which financial advisors are obligated when proposing their services and making recommendations.

As an independent registered investment advisor, CAPTRUST adheres to the â??best interest standardâ?• and other practices spelled out in The Investment Advisers Act of 1940. We supported the DOLâ??s Fiduciary Rule and expect to be supporters of new regulation that protects the interests of investors.

Q: Are some savings vehicles better than others? What is the most tax-efficient way to save for retirement?

A: The good news for retirement savers is that they have at their disposal an array of savings account types, each with its own contribution limit and tax treatment. Properly utilized, the right combination of these accounts allows a substantial amount of tax-favored retirement savings. The downside is that optimizing savings can seem complex and confusing, which may cause some savers to tune out or fail to take full advantage of whatâ??s available to them.

The table below includes the retirement savings accounts available to most people and the order in which we suggest they use them to maximize their tax-favored savings. Of course, everyoneâ??s circumstances are different, so please consult your financial and tax advisors to make sure your strategy is appropriate for your unique financial situation.



Have questions? Need help? Call the CAPTRUST Advice Desk at 800.967.9948, or schedule an appointment with a retirement counselor today.

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