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## Department of Labor Announces New Fiduciary Rule

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On April 6, 2016 the Department of Labor (DOL) chose the Washington D.C. based nonpartisan think tank, Center for American Progress, to unveil the final version of the "fiduciary" rule which has the potential to be the most disruptive regulation change since the 1974 Employee Retirement Income Security Act (ERISA).

### How will this rule change the term "fiduciary"?

This ruling will redefine the term 'fiduciary' to expand the class of persons and entities that would be subject to strict fiduciary duties and prohibited transaction rules under ERISA and the Internal Revenue Code.

Under the DOL's proposed definition, any individual receiving compensation for providing advice that is individualized or specifically directed to a particular plan sponsor, plan participant, or IRA owner for consideration in making a retirement investment decision will now be a fiduciary.

The rule also includes additional exemptions that are designed to give brokers and insurance agents (and their firms) the ability to continue to earn transaction-based compensation when advising retirement clients while taking into account, though, certain new restrictions.

### What is the impact of the rule change?

For broker dealers, RIAs and asset managers the potential impact of the rule is significant in that it will change how business is done and how advice is provided for retirement brokerage accounts. The new rule was created to ensure that investment advisors are putting their clients' interests a head of their own when it comes to fees and investment choices.

### When will the rule go into effect?

The DOL has adopted a phased implementation approach for the Best Interest Contract and the Principal Transactions Exemptions, which will begin in April 2017 with full compliance required by January 2018.

If you are a plan administrator or plan sponsor and have additional questions regarding how this rule impacts you please contact Liz Harper at [Elizabeth.harper@sobel-cpa.com](mailto:Elizabeth.harper@sobel-cpa.com) or 973-994-9494