From: Chris Weber [mailto:chrisw@community-resourcebank.com]
Sent: Wednesday, July 08, 2015 2:51 PM
To: EBSA, E-ORI - EBSA
Subject: Financial Advice Proposal

There are three ways I see financial advice delivered today:

- Fee driven advice where fees are usually a percentage of assets.
- Commission based advice where a percentage is usually charged on the front end or a fee can be added to a product's expenses.
- No advice at all, where someone purchases investments without any help.

The above methods are generally in order of expense to the client as well where the first bullet is the most. Certainly, there is a range of expense for each bullet point and there is overlap.

My concern with the financial advice proposal is that the second bullet will be completely wiped out as IRA's constitute most client assets. Advisors will have no choice but to move all assets to the first bullet. It's a nice thought to think that all advisors are acting as fiduciaries, but I have been in the business over 20 years and feel it is a foil for charging more fees to clients. Firms generally encourage moving most assets to so called fee-based accounts because they are more lucrative to the firm. Case in point, if you have $100,000 and your advisor charges you 1% a year, over 10 years you are going to pay at least 10% in fees based on the initial amount and more because of compounding. If you buy a loaded fund, you'd get a break and pay only 3.50% of the initial amount. While the 1% per year provides the convenience of being able to move between investments, it is rarely the case that people do. Large cap growth fund "A" just isn't too different from large cap growth fund "B." Is an advisor really providing $10,000 of service to the client when paying the 1% fee? Doubtful.

The difference between advisory and broker-sold products primarily becomes a matter of what licenses you hold. Holding a Series 65 or 66 license does not magically make you ethical. Also, just because the law says you are a fiduciary, that doesn't mean everyone is acting in the client's best interest. Sure, you can get disciplined for it, but not acting in a clients' best interest seems very difficult to prove. I act ethically and I am the same person whether I am acting as a broker or an advisor. I always put myself in the clients' shoes.

The other end of the spectrum … no advice … is not good either. Journalists or bloggers are not required to carry any credentials. That is who will be doing the advising to those with no advice from a professional. As with most things, Americans want a good deal and I'm sure there will be plenty that choose this route even though they have no investment experience.

I think commission based investments provides the public with a useful and less expensive service. FINRA and the SEC are effective regulators. I think they are able to pass down rules much more quickly than trying to codify a fiduciary standard. If you feel there are areas where the public is being ripped off, we should work with FINRA and the SEC to quickly nip those problems in the bud. "B" shares have been eliminated, "C" share limits have been instituted, suitability rules have been enhanced, and variable annuity sales require extensive supervision. Left to lawmakers, those things might still be available due to the difficulty of setting new rules and passing new laws.

I think enhanced suitability tracking and monitoring, breakpoint enforcement, elimination of illiquid products (non-traded REITS), prohibition of penny stocks, clearer disclosure with variable annuities, among other things would help solve problems related to misleading of consumers. You don't need to add a fiduciary standard to accomplish any of that.

Christopher G. Weber, CFP®
Investment Executive
Cetera Investment Services LLC
Located at: Community Resource Bank
1605 Heritage Drive
Northfield, MN 55057
Direct: 507-645-1841
Assistant: Tanya Gjerdingen, 507-645-3130
Toll Free: 800-250-8420 x3841
Fax: 507-645-1868