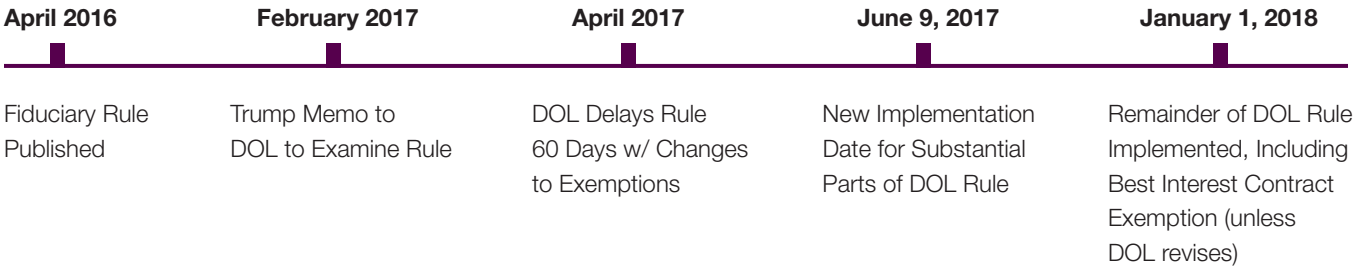
Overview

While you may have heard that the Department of Labor (DOL)'s new Conflict of Interest Rule ("Fiduciary Rule") has faced challenges and uncertainties in its path to becoming law, it is important to know that many important elements of the Fiduciary Rule will, in fact, become operative June 9, 2017. That means that the standard of care that you must employ with your clients when marketing and recommending insurance products in the qualified marketplace will be that of a fiduciary. In addition to the fiduciary standard, other portions of the Rule will also go into effect on June 9, 2017, including the "Impartial Conduct Standards" and other disclosure requirements. Remember, these new requirements are only applicable to the purchase of qualified products, including the expansion of ERISA-like standards to IRAs and qualified rollovers.

So what does it mean to be a fiduciary? What are the Impartial Conduct Standards? Most importantly, what changes must be made to comply? This document will help explain the important elements of the Rule that will be going into effect on June 9, 2017 and will remain in place until January 1, 2018. At that time, new compliance requirements may be coming. As a result, this document only explains your fiduciary and compliance obligations for the transition period between June 9, 2017 and January 1, 2018.

Keep in mind that President Trump has ordered the DOL to review the Fiduciary Rule in its entirety and as a result, changes could be coming to the final Rule. This document is thus subject to change if needed. However, it is vital that you understand that unless and until changes do take place, if at all, the Rule is coming and will have a major impact on the industry – especially the annuity industry. As a result, this document is a good starting point resource for you to understand the changes coming, and learn to adopt the new standards of the Rule so that you can continue to provide your clients valuable retirement planning advice and qualified products to help meet their goals.

Background and Current Status of the DOL Fiduciary Rule



As you can see above, the DOL Rule has undergone changes since it was originally published in April 2016. While it may still undergo further changes pending DOL's review of the Rule per President Trump's Memorandum, one thing is clear – on June 9, you will be a fiduciary when advising on qualified money. This is due to DOL's expansion of the definition of the term "fiduciary" to include investment advice provided to Individual Retirement Accounts (IRAs) and their owners. In the past, the definition of fiduciary was more limited under ERISA and did not create this obligation. DOL's intent was to revise ERISA to limit certain perceived conflicts of interest and provide tighter compliance boundaries around compensation. DOL believed that the marketplace had shifted considerably away from traditional pensions to individually managed retirement plans, requiring updates to ERISA and related exemptions to account for this shift. The result is the "Fiduciary Rule" – the most substantial DOL regulatory undertaking since ERISA was created in 1974.