

Fiduciary Briefing

November 2016 Edition

Register NOW for Dec. 15 Fiduciary Chat.

The Thursday, Dec. 15 Fiduciary Chat starts at Noon CT and features:

- Five steps credit unions can take to prepare for fiduciary rule implementation
- Updates on industry and CUNA Brokerage Services, Inc. (CBSI) activities
- LIVE answers to your latest questions

[Register now](#) for this free online event and [submit your questions](#) in advance.

Fiduciary Rule and the Election.

The most significant impact of the election for the investment services industry could be to the future of the Department of Labor (DOL) Fiduciary rule. [Media reports](#) suggest the new administration may look to repeal the rule. Until we have facts and concrete information about the incoming administration's plans, we will be proceeding full-speed ahead on our fiduciary rule compliance and implementation efforts. We will be closely monitoring the transition process between the Obama and Trump administrations and will of course keep our advisors and programs fully informed regarding the fiduciary rule, as well as any other important regulatory or policy developments that affect our business.

CBSI is presenting a special post-election webcast event on Monday, Nov. 21, from 1-1:45 CT and will feature a panel of experts from CUNA Mutual Group discussing the election's impact on politics, the economy and the markets in 2017 and beyond.

Election 2016: What Does It All Mean?

Nov. 21, 1-1:45 p.m. CT

Conference call number: 888.324.8125

Participant passcode: 1721313

[Join Meeting Link](#)

Save this [Outlook calendar reminder](#) for the event that also contains call information and webcast link.

DOL Conflict of Interest FAQs.

The recent [34 question-FAQ](#) regarding conflict of interest exemptions that the Department of Labor released on Oct. 27, "did not bring the investment industry or CBSI any surprises," reports **Kevin Thompson**, President, CUNA Brokerage Services, Inc. "Our plans for implementing a compliant sales process that focuses on use of the full Best Interest Contract continues to be the best and the right choice for our programs and advisors."

Thompson notes much of the emphasis of the questions and answers focused on components of the rule that are not part of CBSI's business model (e.g. principal transactions) and helped affirm several decisions that CBSI has made about its plans to implement a compliant sales process.

The DOL has announced it is planning on releasing two more FAQs before the end of 2016. Thompson says CBSI's fiduciary rule team will review these when they are released and take any interpretative actions required regarding CBSI's ongoing compliance efforts.

"Our fiduciary rule team has been actively engaged with industry groups and external experts to develop strong implementation options," Thompson notes. "We are confident that any additional FAQ documents from the DOL will not significantly impact CBSI or our programs in our compliance preparation process."

Fiduciary Rule Prep Work Ongoing.

CBSI continues to work on multiple issues surrounding Fiduciary rule compliance and preparation through our workstream teams:

- We have completed an initial round of demos for financial planning software that we anticipate will become an important part of the sales process. Not only have internal teams participated in this process, but several advisors have also helped us look at the capabilities of these software packages.
- We are identifying the process updates and changes that will be needed for Fund Direct account set-up and transactions.
- We are working to bring all of our programs onto the Salesforce CRM tool as it has been identified as our single CRM source in the new DOL-driven sales process.
- Commissions: CBSI will cap for 2017 and levelize for 2018. Capping simply removes the higher compensation outliers and is a natural first step toward levelizing. To complete the levelizing process, we will need to eliminate lower compensation items as well.

Broker/Dealers Announce Plans Regarding IRAs and Commission Sales.

As broker/dealers assess the impact of the DOL fiduciary rule on their business, decisions are being announced about changes to how they do business and support advisors. [Merrill Lynch](#) and [Commonwealth Financial](#) announced in October that each would cease offering new advised or commissioned-based brokerage accounts because of the fiduciary rule. [Raymond James](#), [Morgan Stanley](#), [Ameriprise](#) and [Cetera](#) have decided to stick with commissions.

CBSI will also be continuing to support commission-based investment product sales (as well as fee-based sales) to provide advisors and clients the flexibility they need to meet client needs regarding investment planning. CBSI believes that through use of the Best Interest Contract, as well as following any new process and compliance requirements we develop, that commission-based advisors will be able to continue to operate effectively and successfully.

First Judicial Review: Fiduciary Rule Survives.

A Washington, D.C. federal trial judge on Friday, Nov. 4, refused to block implementation of the DOL fiduciary rule, marking it the first court to weigh in on injunctions filed in several federal district courts across the country challenging the rule. The ruling in the lawsuit in Washington, filed in June by the National Association of Fixed Annuities (NAFA), comes as judges in Texas, Kansas and Minnesota take up separate challenges. NAFA announced on Monday, Nov. 7, that it would seek appeal the decision and seek an expedited review by the Federal Circuit Court.

DOL Videos, Consumer-Facing Piece.

Providing our advisors and programs with timely information and educational tools to aid in adapting to the requirements of the DOL Fiduciary Rule is a primary goal of CBSI. To achieve that goal, CBSI has recently added a number of items to our inventory.

- A recording of our Oct. 19 Fiduciary Chat. You can register now for our next Fiduciary Chat for advisors, program leaders and program contacts, scheduled for Wednesday, Dec. 15.
- Three short videos covering DOL topics—Rule Overview, Practice Tips and Communicating with Clients—for your review as well as to share with program staff and credit union staff as appropriate.
- A new marketing piece for advisors to share with clients regarding the fiduciary rule is available for on-demand printing. To order, open MarketingPort and select Catalogs from the homepage navigation bar, then CBSI Program Awareness Materials, then DOL Materials.

A Performance Analysis of Variable Annuities with Risk Control.

As [industry experts](#) have noted, fiduciary duty may mean advisors should focus more on mitigating risk than simply providing the lowest-cost product alternative when developing retirement saving plans for clients. Achieving the best interests of a client may then mean incorporating the benefits of variable annuities with risk control into their retirement plan.

A [new white paper](#) published by **S&P Dow Jones Indices** and brought to you by MEMBERS® Insurance & Investments, helps tell the story of the value of risk control accounts. S&P researchers constructed hypothetical portfolios to compare the performance of a variable annuity with risk control and a blended portfolio of stocks and bonds. By back-testing 20 years of data, researchers found:

- Variable annuities with risk control features may improve the predictability of future cash flows by capping and flooring the price performance of the underlying instruments.
- At times, variable annuities with risk control features could prove to be more effective in managing portfolio risk than adding bond exposure.
- Variable annuities with risk control provided better downside protection than a traditional 60/40 portfolio in some scenarios.

[Sept. Edition](#) | [Oct. Edition](#)

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