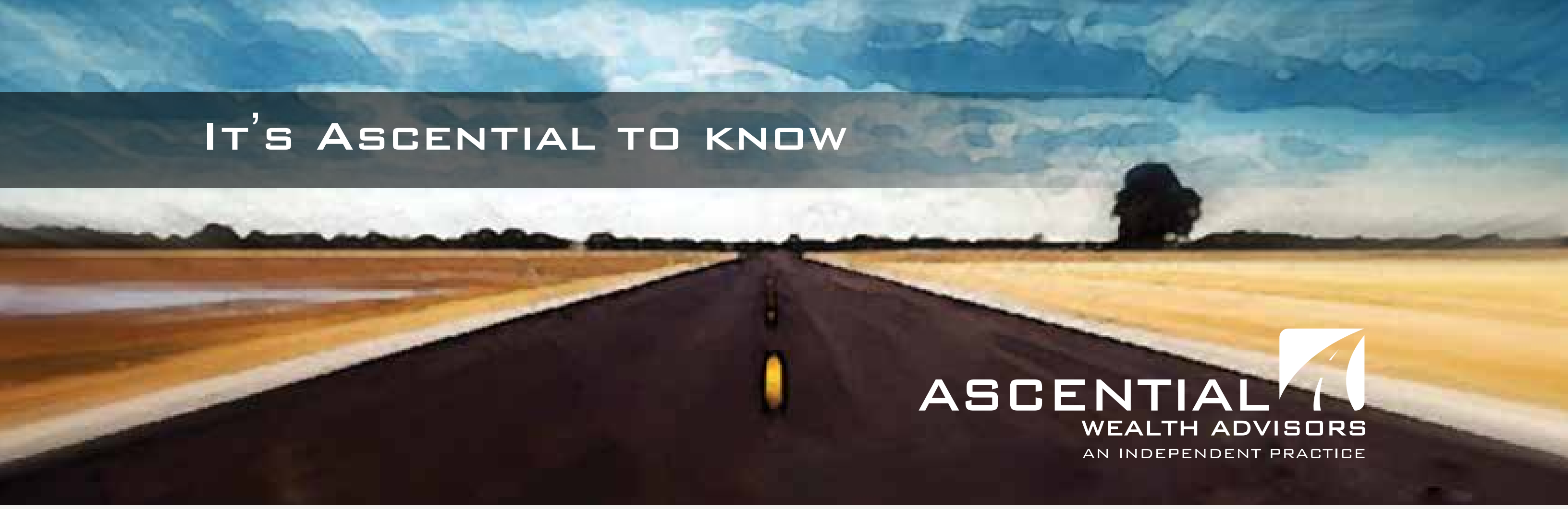

A newsletter from Ascential Wealth Advisors

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In this issue

Kristin Rognerud
Financial Advisor

What does the new DOL fiduciary rule mean for investors?

By Kristin Rognerud

On June 9, 2017, a new regulation issued by the Department of Labor (DOL) governing the fiduciary responsibilities of financial advisors took effect. This regulation was an extension of the Employee Retirement Security ACT of 1974 (ERISA), which has served as the guideline for employer sponsored retirement plans (ie. 401(k)s) for decades. Since the implementation of ERISA, the retirement landscape has changed dramatically with the development of participant-directed 401(k) plans and widespread use of individual retirement accounts (IRAs) which commonly receive assets from ERISA plans via rollovers when employees change jobs or retire. The new DOL regulation covers all types of retirement investments, including both employer sponsored plans (such as 401(k)s) and individual retirement account (such as IRAs and Roth IRAs). So what does this mean for retirement investors and their financial advisors?

The spirit of the regulation is aimed at protecting retirement investors from unscrupulous advisors who might otherwise "give imprudent and disloyal advice; steer plans and IRA owners to investments based on their own rather than their customers' financial interests; and act on conflicts of interest in ways that would be prohibited if the same persons were fiduciaries." (Federal Register, Vol . 81 No. 68) The rule requires anyone who provides investment advice or recommendations on retirement assets to adhere to a fiduciary standard of care.

By operating as a fiduciary, the DOL says an advisor must provide advice that is in the client's best interest and free from conflicts of interest. Sounds reasonable, so how is this different from previous guidelines? Commission-based, brokerage relationships were held to a lower legal requirement of "suitability" as opposed to "best interest." Advisors were allowed to make recommendations as long as their advice was suitable, or reasonable based on the client's objectives and unique circumstances, even if they carried a conflict of interest. For example, advisors could recommend products with higher costs and compensation providing they were suitable, and no disclosure was required.

Advisors working with clients under fee-based or "advisory" contracts have already been operating as fiduciaries, adhering to the best interest standard. The old rule required fiduciary advisors to disclose conflicts of interest to clients. Under the new DOL rule, advisors are prohibited from making recommendations that include any conflicts of interest. For example, advisors at some firms have been paid more to sell their firm's proprietary investment products, creating incentive to use them over competing choices, a practice that is no longer allowable. As a result, the financial industry is undergoing a major overhaul in the way investors pay for advice and the way financial professionals are compensated, aimed at eliminating as many conflicts as possible.

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Meet Barb

Barb Perrault, *Registered Client Services Manager*

We are pleased to announce the addition of Barb Perrault, Registered Client Services Manager, to the Ascential Wealth team.

Barb brings extensive customer service and industry experience to her role, assisting clients with a broad range of administrative needs. She is here to support clients with things such as: establishing new accounts, asset and funds transfers, client information updates such as address or beneficiary changes, and assistance with online access, banking, and gathering of tax documents.

Barb began her financial services career in 2004, and holds her Series 7 and 66 securities licenses, and is a notary public. Prior to joining Ascential Wealth, Barb worked for another Raymond James office in Duluth where she served as a registered client service manager and office manager. Client satisfaction is Barb's number one priority.

Barb is a Two Harbors, MN, native and relocated to Duluth in 1988 where she met her husband, Tony. Together they had four sons and now have been blessed with five grandchildren, and thoroughly enjoying spending their free time with them. In addition to quality time with family, Barb takes pleasure in cooking, music, northern Minnesota beauty and riding her Harley with her husband.

Lori Spilde
Client Services Manager

New! Mobile Check Deposit

Raymond James has recently rolled out the ability to deposit checks through your mobile phone. If you are enrolled in Investor Access, all you need to do is download the Investor Access app onto your Apple or Android device. You can then log in with the same username and password you have already established for online access. To be eligible for deposit, checks must be made payable to either Raymond James or the account owner. Checks payable to Raymond James do not need endorsement. Checks payable to the account owner should be endorsed. Rollover checks are not eligible for this service, but most other check types including individual contributions to IRAs, Roths, and SEP IRAs are acceptable. Let us know if you need help using this convenient new tool.

Investor Access

Forget your password? Locked out of online access??

Call our office and we are happy to help you get in touch with the Raymond James Investor Access support team to re-set your access. After hours or on weekends, you can also contact them directly at 877-RJ-ACCESS (877-752-2237).

DID YOU KNOW?

- 44% of American private sector workers lack access to any employer sponsored pre-tax retirement plan. (AARP)

- 13% of adult workers have both a defined contribution 401k plan and a defined benefit pension plan. All 535 members of the House and Senate (100%) have both a defined contribution and a defined benefit pension plan. (Center for Retirement Research)

Identity Theft: Beware of these common scams

By Sergeant Wade Rasch, St Louis County Sheriff

Be vigilant with your personal information. There are new and ever-changing methods that criminals use to steal your data and money. Some of the more established methods, which are still scamming individuals across the country, are as follows:

- IRS Scam: The innocent person is contacted by phone. The caller states that a large sum of money is owed in back taxes. If it isn't payed immediately, an arrest warrant will be issued and the person could go to jail. These people can sound very convincing. Please remember, the IRS will never call you out of the blue and demand money. All correspondence will begin with a letter. If you received such a call go to treasury.gov/tigta or ftc.gov/imposters
- Wire transfers of money: Another popular scam begins with an innocent person selling something on Craigslist or some other auction type site. A possible buyer will "wire" funds to the seller in excess of the asking price. There will be an explanation of why this had to be done. They will then instruct the seller to wire the money back to them, keeping a few hundred dollars for the trouble. By the time it is determined the initial wire transfer was worthless, the innocent person may be already out the money from their own bank account.
- Email Phishing: Make certain the website you are purchasing from or entering personal information is reputable. Often times a phishing scam will start with an unsolicited email that brings you to a website that looks very similar to EBay, Amazon, or some other legitimate site. However, it may be a fake site designed to steal your information. To protect yourself, do not follow the link from such an email.

Report suspected identity theft and/or fraud to any of the three Credit Bureaus (if you notify one, they will automatically notify the other two):

- Experian: experian.com or 888-397-3742
- TransUnion: TransUnion.com or 855-681-3196
- Equifax: Equifax.com or 888-766-0008

Watch videos at the following link for more information on how to protect yourself. http://ow.ly/LGyS3039GnS

"A goal without a plan is just a wish."

Antoine de Saint-Exupery

Recognizing that it would be difficult to eliminate all conflict of interest, and that some recommendations may carry a conflict of interest but still be in the best interest of the client, the DOL has created a process for allowing exceptions. The conflict must be formally acknowledged by the client and advisor through a "Best Interest Contract," and once this is in place the advisor can proceed with the recommendation under the "standards of impartial conduct: giving prudent advice in the client's best interest, making no misleading statements, and charging no more than reasonable compensation."

The objective behind all of this is to provide retirement investors with more transparency and reduce conflicts of interest. Most agree that the theory behind the regulation is good. Each investment firm is trying to interpret the rule and adjust its offerings to fit within the perceived guidelines, but there is still a lot of grey area. The range of choices available to retirement investors is narrowing as investment firms limit the options for retirement accounts in an effort to comply with the rule and mitigate the risk that they could fall outside the lines. President Trump signed a memorandum on February 3, 2017, requesting that the rule undergo further examination, so there remains a chance that more changes could be made. For now the jury is out on whether the rule will provide retirement investors the intended benefits without unintended negative consequences.

For clients of Ascential Wealth Advisors, the resultant changes should be minimal. Working under an advisory contract with clients, we have already been serving under a fiduciary standard. As previously communicated, in order to keep our advisory clients' experience as consistent as possible, particularly with regard to trading costs, we decided to switch advisory platforms. As we continue to adjust to operational changes from the new guidelines, our objective is to maintain the quality of our clients' experience, and we will keep our clients apprised of any further changes that affect them.

From left:

Barb Perrault, *Registered Client Services Manager, bparrault@ascentialwealth.com*

Lori Spilde, *Client Services Manager lspilde@ascentialwealth.com*

Brad Christiansen, *Financial Advisor bchristiansen@ascentialwealth.com*

Daniel Maki, *Client Services Manager dmaki@ascentialwealth.com*

Dave Kohlhaas, *Financial Advisor dkohlhaas@ascentialwealth.com*

Kristin Rognerud, *Financial Advisor krognerud@ascentialwealth.com*

Mike Owens, *Financial Advisor mike.owens@ascentialwealth.com*

ASCENTIAL WEALTH ADVISORS

GET THERE FROM HERE

11 East Superior Street, Suite 508
Duluth, MN 55802
218.336.2500 • 888.840.8299

ascentialwealth.com

DISCLOSURES