



How Does the SEC's New Broker-Dealer Rule Impact Investors?

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Have you ever wondered whose best interest your financial advisor is looking out for? Is it theirs? Is it the multi-billion dollar corporation, bank, insurance or brokerage firm they work for? Or is it yours?

Many changes have occurred in the financial services industry in recent years. On January 31, 2006, the Securities Exchange Commission's (SEC) Broker-Dealer Rule went into effect, despite a last-minute effort by the Securities Industry Association (SIA) to obtain a second postponement of the compliance deadline. SIA petitioned the SEC, claiming that brokerage firms needed until March 31 to adjust their compliance programs in light of SEC staff interpretive guidance issued in December.

Because of this rule, brokerage firms are not legally required to act in the *best interest* of their clients and they are permitted, by law, to place *their own interests ahead of the interests of their clients*. This rule creates an un-level fiduciary obligation, or legal requirement to act in a client's best interest, between financial planners and brokerage firms.

Because you care about meeting the future financial needs of yourself and your family, you need to understand the rapidly changing differences between working with a Registered Investment Advisor firm (RIA) and a Brokerage firm. A Certified Financial Planner™ who owns or is employed by a Registered Investment Advisor (RIA) firm is required to act in a fiduciary capacity for their clients. This means that they are legally required to do what is best for their clients, not what is only "suitable". A salesperson employed by a Brokerage firm however, is not required by law to operate under this higher level of legal obligation.

In a recent survey conducted by TD Waterhouse, Registered Investment Advisers (RIA) overwhelmingly said that the broker-dealer exemption leaves investors open to harm and will hurt investor confidence. In fact, 95% of Registered Investment Advisers (RIA) view the broker-dealer rule as harmful to investors while 92% of broker-dealer's felt the rule would cause no harm to investors. Furthermore, 88% of Registered Investment Advisers (RIA) support further reform of the broker-dealer exemption even though 70% agree that the enhanced protections they offer gives them a competitive advantage over broker-dealers. This is further illustration that Registered Investment Advisers (RIA) advocate putting the best interests of their clients' ahead of their own, even though it would reduce their competitive edge over broker-dealers.

Here are some links to additional resources that can help you further understand the differences and distinctions between Certified Financial Planners™ and brokers, and which is best suited to meet your specific needs:

Comprehensive Financial Planning Diagnostic, found at <http://www.napfa.org/index2.htm>, published by the **National Association of Personal Financial Advisors (NAPFA)**. *Request that your current financial advisor fill this out for you.* This will provide you with valuable information about your current advisor, the firm they work for, and how they currently operate and are compensated. Any prospective partners should be willing to fill out this valuable third-party evaluation tool created to inform consumers and help them make wise decisions on who they decide to partner with in achieving their financial goals.

Certified Financial Planner™ (CFP®) Board of Standards Resource Library, found at <http://www.cfp.net/learn/library.asp>. This resource library contains valuable articles and brochures that can help you in your review process.

The Financial Planning Association's (FPA) Learning Tools, <http://www.fpanet.org/public/tools/index.cfm>. This website has many tools available to help educate the public.



If you are looking for comprehensive financial planning, as opposed to just buying investment securities, it is to your advantage to choose a Certified Financial Planner™ who owns or is employed by a Registered Investment Adviser (RIA), not a salesperson broker employed by a brokerage firm, to partner with in helping your family achieve your financial goals.

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