From: Ilene Davis <ilenedavis50@gmail.com>
Sent: Wednesday, July 05, 2017 11:20 AM
To: FiduciaryRuleExamination - EBSA
Subject: Fwd: fiduciary rule comments

Hello:

I am providing comment regarding the fiduciary rule. First, I find many clients have no idea what is in their best interests. And when you consider that about 30% of babyboomers, after 30-40 years of working, have less than $50,000 saved for retirement, and that NONE of those who have a financial advisor have NO money saved, and most have more than $50,000, even if some pay a little more than might be "best" in fees or commissions, the fact that they HAVE money puts them in a relatively small group these days

I am a financial professional with 35 years experience. I also have degrees in Mathematics, accounting, an MBA, and earned my CFP(R) designation in 1984. I"m also the author of a new book, "Wealthy by Choice: Choosing your way to a wealthier future", and created the webinar "Mike's wealthier choice" about better understanding how different ways an investor can be charged affect long term wealth" that can be seen at www.choosingwealth.com/webinars/.

because I understand the math, I believe I can offer a perspective that does not seem to have been considered by the DOL staff. And they also appear to have not read the report by Morningstar Research showing that converting all commission accounts to fee based would increase financial institution revenues by 60%. I find when I show that to clients, they quickly realize THEY will be the ones paying that extra amount.

Further, ever since B and C shares came out, I've shown clients the "cost of ownership" - basically the expense table in fund prospectuses.

I've also shown clients the actual MATH, which shows that except in rare situations, basically where a fund would only be owned for 5 years or less (in which case they should not be in a mutual fund anyway), do the C shares (which are a proxy for fee-based) provide a better return than A shares, particularly if the investor qualified for just about ANY breakpoint.

In 2002 I had a fund company run hypotheticals of a 20 year holding period (a not untypical retirement period and the accumulation period for anyone under 50 or so years of age)

if A invested $100,000 in A shares of the equity fund I used, and C invested $100,000 in C shares of the SAME FUND, the A share owner, net of his/her $3,500 in commissions, would still have an investment worth $150,000 MORE than the "fee-based, no front commission" C share buyer. With an income fund, investor A would have had $63,000 MORE than investor C.

I also had a re-do of hypotheticals showing 20 year results that again show A shares are generally a WEALTHIER CHOICE for most investors, even with maximum sales charge and annual withdrawals for retirement.

Here is my suggestion. Leave it to the advisor and client, but require the client show the total cost of ownership of an investment proposal for 10, 20, and 30 years, and for returns of 2%, 4%, and 6%. and require the form to show the projected years the client expected to either be accumulating, or withdrawing from, the investment. THE INVESTMENT PERIOD IS ONE OF THE MOST IMPORTANT FACTORS IN EVALUATING FEE VERSUS COMMISSION IN BEST INTERESTS OF INVESTOR

another story, just for your files: I met with the daughter of a long time client. her mom had told her she was happy with my service and the investments she had. When we met, she had a fee based account full of mutual funds. I showed her how to find the expense ratios on the funds in her portfolio, and also showed her the fund family and expense ratios of the fund her mom had.

she qualified for the $250,000 breakpoint of 2.5%. that meant with her assets, her total upfront costs would be around $8,250, but her expense ratio per year would average around .7%. Her broker told her how much she was going to be paying (he was correct) but didn't mention his annual fee. His annual fee ran to around $3300 a year. And that was in addition to the underlying expenses of the funds, some which exceeded 1% a year. I showed how in 3 years, her annual fees would total more than my one time commission. And this was a client who did not anticipate needing any of her principal for at least 5 to 10 years.

its an easy grid to create and could be a part of the client's files, with the client signing the document as confirmation they saw it.

You may also want to watch the "Mike's Wealthier Choice" webinar at
www.choosingwealth.com/webinars/

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