

From: [Ted Remig](#)
To: [FiduciaryRuleExamination - EBSA](#)
Subject: Fiduciary Rule Comments
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Comments regarding the fiduciary rule:

1. The government is forcing customers into fee based accounts. Mutual fund fees over the long term are much higher than properly managed accounts. If it is just low fee index funds, those fund will cause certain indexes to be overvalued due to the rush into those securities.
2. The inability of customers to buy certain securities: I understand trying to push customers away from some of the higher price products, such as variable annuities, etc. However, the rule also excludes some very appropriate products. Taxable municipals provide a fantastic way to increase return in accounts while also reducing risk. When you look at historical default rates on municipals vs investment grade rated corporate, there is no comparison. Municipals default at about 10 percent of the rate of corporate. On top of that, investors can get higher returns on taxable municipals as opposed to corporate bonds of a similar credit rating. Allowing customers to buy equities and not preferred stocks moves them lower on the creditor list. Forcing customers into fixed income funds to get diversity within their portfolio costs them hugely in the long run. Paying 50-100 basis points a year is MUCH more expensive than creating your own diversity through individual purchases.

For example: If a customer buys a 30 year taxable municipal that yields 5.00 percent. If the customer pays a 1.5-2% commission on the transaction, the return on the bond for the duration of the investment is around 4.85%. If the customer pays to be in a mutual fund of many of these bonds, the fees associated from the fund will be 50-75 basis points. Those take the annual return on the investment to 4.25-4.5 percent. Over the duration of the investment, the total return on a 25,000 investment, including reinvestment of the coupons at the same rate, would be:

At 75 basis points in fees:	87,140 (25000 x 1.0425^30)
At 50 basis points in fees:	93,632 (25000 x 1.045^30)
At the one time fee of 2 points:	103,512 (25000 x 1.0485^30)

Forcing customers diversification in fixed income funds in this case, costs that customer anywhere between \$10,000 and \$16,000 in excess fees to manage their investment of \$25,000 over 30 years. That is FAR from protecting the customer....and those numbers are only based on a single \$25,000 investment AND a broker dealer charging a full 2 percent commission to the customer on the transaction.

3. If the rule was put into place for accounts under a certain value (say 100k), then I could understand your interest for diversity sake. However, when I look at a customer's assets, I suggest diversification over all of their assets, not just per account, whether those other accounts are invested with me or with another institution
4. Forcing a fiduciary responsibility on broker dealers over funds they manage in the long run will only drive up costs, and thus fees. Just like the excessive costs associated with

“defensive medicine” where doctors run up bills running every possible test to avoid lawsuits, broker dealers will add excessive costs associated with following this rule. Regardless of how the accounts are charged, it will lead to new fees for the accounts in the long run. Whether that be higher custodial fees, asset management fees, or transactional fees, this extra liability will cause a reaction from firms, and additional expenses will probably get passed along to customers somehow. Keeping my customer’s best interests involved in every decision is already part of my job.

5. Customers who are knowledgeable about investment products and who have successfully managed their own assets will be dramatically hurt by the rule. Limited options for a customer and forcing them into higher fee products when they can afford to diversify their own account will dramatically hurt their long term return.

I thank you for your time and your willingness to allow us to comment on this issue.

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