



DOL FIDUCIARY RULE

Compliance for 2017



What will we cover?

- What to know about the DOL Rule
- What is PTE 84-24 and the Impartial Conduct Standard
- What you need to do to comply with the rule on June 9, 2017
- What the annuity carriers are saying
- Looking ahead

What to know about the DOL Fiduciary Rule

- ***Applies to IRAs:*** The rule applies to investment advice concerning IRAs and ERISA plans. Basically qualified business
- ***Best interest standard starts June 9:*** Beginning June 9, advisors to covered plans must provide advice in the retirement investor's "best interest."
- ***BICE compliance starts Jan. 1:*** The extensive compliance requirements of the best interest contract exemption, which would apply to non-level fee products, are not in force until Jan. 1, 2018.
- ***Products with commissions permitted:*** As a fiduciary, if you are paid a commission on the sale of an annuity product in the qualified marketplace, you must seek relief from a PTE in order to comply with the Rule.
- The DOL Fiduciary Rule will be using PTE 84-24 for the remainder of 2017.

PTE 84-24

- A few things to know:
 - *There are 2 exemptions: BICE and PTE 84-24*
 - *PTE 84-24 is effective on June 9, 2017*
 - *No financial institution is required*
 - *A transaction with qualified funds is between the financial professional and the client*
 - *Agent is responsible for full disclosure and product recommendations in the best interest of their clients*
 - *Must follow the Impartial Conduct Standard*

What is the Impartial Conduct Standard?

- Best Interest Standard
 - *Make recommendations based on you client's best interest*
- Reasonable Compensation
- *Avoid materially misleading statements in all communications and disclosures*
 - *Fees*
 - *Commissions*
 - *Conflicts of interest*

What you need to do to comply with the rule on June 9, 2017

- Agents have several responsibilities under the 84-24 Exemption
 - *Compensation must be disclosed*
 - *No misleading statements can be used, including advertising*
 - *Full Disclosure of conflicts of interest*
 - *All recommendations must be in the best interest of the client*
 - *Disclosure statement signed by the customer*
 - *Signed Disclosure form must be kept in client files for at least six years*

All of these can be responsibilities can be achieved using the following disclosures

PTE 84-24 Disclosure and Acknowledgment Form for IRA Annuity Purchase

Name of Individual Agent ("Agent") licensed to sell tax-qualified annuities:

Name of Proposed IRA Owner ("You"):

This Disclosure and Acknowledgment Form ("Form") provides important information You should know before making a purchase of, and additional payment(s) to, an annuity contract issued by the Insurance Company ("Insurance Company"). This Form is provided pursuant to applicable law, and in particular, ERISA Prohibited Transaction Exemption 84-24 ("PTE 84-24").

This Form describes:

- the nature of the relationship between Agent and the Insurance Company;
- the commissions the Agent or broker will receive ("Commissions") for Your purchase of this annuity contract;
- certain charges that apply under the annuity contract; and,
- other information, including certain conflicts of interest.

Relationship of Agent to Insurance Company

You will be purchasing Your annuity contract through the Agent who is independent of the Insurance Company and has no contractual obligation to recommend Insurance Company's annuity contracts. Agent can recommend annuity contracts that are issued by Insurance Company as well as other insurance companies. However, see below for information on Conflicts of Interest.

Commissions

The Insurance Company will pay Commissions to the Agent or broker when You purchase this annuity contract. In addition, Insurance Company may pay additional amounts to a managing agent, supervising agent, or other third parties that are involved in the marketing, training, administration, wholesaling, supervision, or issuance of the annuity contract. These parties may also allocate a portion of such amounts to the Agent. The Commission is paid by the Insurance Company and one-hundred percent of Your premium payment will be credited to the accumulation value of Your annuity contract.

Below is a description of the Commissions the Agent will receive when You purchase this annuity contract:

Insurance Agent Commissions

% Amount of Premium received by Insurance Company during the first contract year, and/or

% Amount of Policy Accumulation Value each year the annuity contract is in force.

The Agent may choose to receive the above Commission at the time of contract issue or spread the Commission out over the time the annuity contract is in force.

Additional Premiums received by the Insurance Company after the first contract year could result in additional commissions paid but will be no more than the first year percentage. In addition, a renewal of the annuity contract will result in additional commissions paid, but will be no more than the first year percentage.

Use a Product Disclosure Form! >

Charges

Your annuity contract includes certain charges imposed by the Insurance Company as the issuer of the contract. These may include surrender charges, bonus recapture provisions, market value adjustments, or fees for optional annuity contract features available through a rider to the contract. The specific charges, fees and provisions applicable to Your specific annuity contract are described in detail in the Annuity Disclosure Statement that has been provided to and signed by You in connection with Your annuity application. It is important that You understand the charges that may be imposed under the annuity contract You are purchasing, so if You have any questions, please ask the Agent for more information.

Conflicts of Interest

The Agent may be affected by potential conflicts of interest in connection with the purchase of, additional payments to, or distributions from the annuity contract. A conflict of interest exists when a reasonable person would conclude that a financial interest affects the Agent's best judgment when recommending the purchase of an annuity contract.

The Agent will receive a Commission from the Insurance Company when You purchase or make subsequent payments to the annuity contract. The amount of Agent's commission(s) will vary depending on the type of annuity that You purchase and the amount of premium payment(s) You allocate to the annuity contract. In addition, Agent is only able to offer a limited universe of products to You, either because Agent is limited by the scope of his or her licensure or because Agent is contracted with a limited number of issuing insurance companies. If You have any questions about the products and services the Agent can offer, You should ask the Agent for more information.

The Insurance Company, any applicable insurance agency of Agent, and Agent may receive services from third parties related to the marketing, training, administration, wholesaling, supervision, issuance, and servicing of the annuity contract. For those services, such third parties may also receive commissions from the Insurance Company and may allocate a portion of its commissions to the Agent.

Additional incentives (if applicable) received by Agent from any other party for Your purchase of this annuity contract:

This form is not a contract and it does not create any enforceable obligations between You and the Agent, any applicable insurance agency, Insurance Company, or any other party.

Acknowledgment / Approval:

I acknowledge receipt of the information contained in this Form and the Annuity Disclosure Statement referenced above, and have received them prior to the purchase of the annuity contract. I approve the purchase of the annuity contract for funding contributions to the IRA, including the compensation and other charges under the contract described above.

Signature of prospective IRA Owner

Date

Best Interest Review

This disclosure statement is being provided with the following sale using qualified funds for the purchase of the suggested product. This form is to confirm the financial professional acted in the client's best interest when making these recommendations and complied with the 84-24 exception.

The 84-24 exemption requires the financial professional to act in the best interest of the customer. This includes discussing all fees, addressing any conflicts of interest, disclosing compensation in relation to the sale of the product, and using no misleading statements.

Please indicate one response from the selection below that best describes your risk tolerance for this asset.

- I am not comfortable with potential loss of my principal due to market downturns, however, I would be comfortable with the ability to achieve some growth.
- I am comfortable with potential loss of my principal in an exchange for the opportunity to achieve higher growth and the potential for greater returns.

Of the statements below, please select the one that best describes your tolerance for risk and potential returns, specifically regarding this asset:

- I wish to preserve and protect my principal from market downturns.
- I am seeking a stable, consistent rate of return over a specified duration.
- I am seeking a higher rate of return, regardless of the risk of losing my principal.

Which of the following personal objectives are most important to you?
(please check all that apply)

- Accumulation of Asset

If you selected "Accumulation of Asset", please mark one of the following responses indicated below:

- I am seeking returns based on a fixed interest rate and returns are not linked to an index.
- I am seeking returns linked to the performance of one or more indexes.

Income – Access to lifetime income or guaranteed payment of income.

If you selected "Income", please indicate the anticipated horizon for accessing income (i.e. immediately, 1 year from now):

Death Benefit – Leave money to beneficiaries.

Based upon the needs defined above, the product and surrender charge duration selected is:

Explain why you chose the product selected:

Client Signature _____ Date _____

Agent Signature _____ Date _____

What the carriers are saying

- Not all carriers will have the same requirements
 - *New forms from carriers: Suitability, side-by-side replacements forms are seeing changes*
 - *Some carriers have no additional forms for 2017*
 - *With some carriers, UL/IUL illustration pages for DOL business*
- Pay attention to carrier emails, trainings, and compliance websites/microsites
- Disclosure requirements can change
- New products like fixed-rate deferred annuities with income riders

Looking ahead

- *DOL expects changes by January 1, 2018*
 - *During the transition period (June 9-Jan. 1), the DOL will collect additional information from the industry to determine how compliance practices could reshape the rule.*
- We know what 2017 has in store... but we can't see the future
 - *We don't know if this administration will adopt the rule, modify it, or delay it further*

Quick Summary and Advice

- Show your work... and hang onto it!
 - *Document everything. From client profile and needs analysis to your final recommendation*
 - *Make notes!*
 - *Include carrier pieces. Don't add extra work for yourself.*
 - *Remember to store your client records for at least six years under PTE 84-24*
- Be flexible in this new regulatory environment
- Embrace this new role as a fiduciary
 - *Many potential clients have heard the chatter and will want to know what is required*
 - *Tell your clients what this new standard means for them!*
 - *Remind them that as a fiduciary you have their interests above your own*



**WE'RE HERE TO
HELP!**