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DOL Rule May Change Under Trump but Clients Likely To Demand Fiduciary Standard From Advisors

By David Trainer, Forbes
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Many expect that the president-elect will undo the regulations that would hold all brokers and advisers to a fiduciary standard, requiring them to act in the best interests of clients.

I think investors' expectation for the fiduciary standard is here to stay no matter what the official rules say — and those investors will increasingly demand that their advisers apply to their non-retirement accounts too.

Even if Trump did kill the rule, do wealth managers want to risk reputational damage for reverting to pre-fiduciary practices? Holding advisers to a fiduciary standard is in the best interest of investors. Who wants to get caught arguing against providing that level of service? Accordingly, big wealth management firms like Wells Fargo (WFC), Morgan Stanley (MS) and JP Morgan Chase (JPM) have spent months preparing to comply with the rule. Bank of America Merrill Lynch (BAC) went so far as to eliminate all commission-based options for retirement accounts, transitioning all its clients to fee-only options.

More importantly, the fight over the rule has brought to the surface some of the conflicts of interest involved in the investment management business. Clients know to ask if their adviser is a fiduciary now, and it's going to be awfully hard to win new business if you can't tell them you're going to act in their best interests.

People should not be so quick to assume that a Trump administration will mean a return to the status quo in the wealth management industry. For one, killing the rule would actually take quite a bit of work and could face the threat of a Democratic filibuster in the Senate. While some of Trump's top advisers are strongly opposed to the rule, it's unclear whether Trump himself will want to spend political capital on a move that could hurt his populist image.

What Does Being A Fiduciary Mean?

In a nutshell, it means advisers should have competitively priced and transparent fee structures and investors should have confidence that advisers aren't giving them conflicted recommendations for commissions from another source.