

# Suitability vs. Financial Standard

**Presenter: Randy Pople**

Pople Financial Consulting, Inc.  
[www.poplefinancial.com](http://www.poplefinancial.com)

*March 12, 2015*

***The Educational Series  
Insurance Trust Monitor, Inc.***

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**Suitability vs  
Fiduciary Standard**

*March 12, 2015*

Please Note: A Handbook and CE Form have been provided for this session. If you have not received one, email us at [admin@youritm.com](mailto:admin@youritm.com).

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**Future Webinars**

**Wednesday, March 25th**  
1:00 p.m. EST  
**Notes/Mortgages and Liability Assets -  
Fiduciary Management**

**Tuesday April 21st**  
1:00 p.m. EST  
**Oil and Gas Trends**

Keep checking the  
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Future Sessions

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**Today's Webinar**

**Suitability vs Fiduciary Standard**  
*March 12th, 2015*

Today's Speaker:  
**Randy Pople**  
Pople Financial Consulting, Inc.  
[www.poplefinancial.com](http://www.poplefinancial.com)



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**History**

- **Stock Market Crash of 1929**
  - Speculation
  - Margin
  - The Great Depression
- **The Securities Act of 1933**
  - Primary Market
  - Registration
  - Full Disclosure

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**History**

- **The Securities Act of 1934**
  - Secondary Market
  - Regulated Financial Markets And Participants
  - Establish The SEC
- **Investment Company Act of 1940**
  - Regulation For Mutual Funds

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**History**

- **Investment Advisors Act of 1940**
  - Regulation For Investment Advisors
  - Defined Advisor – any person who for compensation engages in the business of advising others, either directly or through publications or writings, as to the value of securities, or to the advisability of investing in, purchasing, or selling securities
  - Standard – act in the best interest of their clients at all times and take into consideration their clients' financial positions and financial sophistication – (The Fiduciary Standard)

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**History**

- **The Merrill Rule - 1999**
  - Exempted brokers from Investment Advisors Act of 1940 – as long as their advice was “solely incidental”
- **Overturn of Merrill Rule – 2007**
- **Rand Study – 2008**
  - Found the great majority of investors assumed that advisors and brokers were subject to the same level of care

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**History**

- **Obama Administration Proposal - 2009**
  - Uniform Fiduciary Standard
- **Dodd-Frank Act - 2010**
  - Gave the SEC power to impose on Broker-Dealers a Standard of Conduct "No less stringent than the Standard Applicable to Investment Advisors"
- **March 12, 2015 - ?**

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**Suitability Standard**

- **Broker - Dealer**
  - SEC Considers a Broker-Dealer an Intermediary
  - Broker – Agent for the Client
  - Dealer – Principal for Their Own Account
  - Primary Compensation – Commission

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**Suitability Standard**

- **FINRA Rule 2111 Suitability**
  - Suitable Based On Investment Profile
  - Investment Profile
    - Age
    - Other Investments
    - Financial Situation And Needs
    - Tax Status
    - Investment Objectives
    - Investment Experience
    - Time Horizon
    - Liquidity Needs
    - Risk Tolerance
- **Regulator**
  - SEC
  - FINRA

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**The Fiduciary Standard**

- **Governs Advisors**
- **Standard**
  - **Client's Best Interest First**
  - **Act With Prudence**
    - Skill
    - Care
    - Diligence
    - Good Judgment
    - Professional

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**The Fiduciary Standard**

- **Standard (Continued)**
  - Full And Fair Disclosure
  - Avoid Conflicts
    - Fully Disclose Unavoidable Conflicts
- **Regulator**
  - SEC

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**The Issues**

- **Allegiance**
  - Client
  - Firm
- **Compensation**
  - Disclosure
  - Conflict
    - Share Class
    - Loads
    - Commission

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## Trust and Estates



- **Uniform Trust Code**
  - A trustee shall administer the Trust **solely** in the interests of the beneficiaries
- **Uniform Prudent Investor Act**
  - The Fiduciary has a duty to invent and manage the investment assets as a **prudent** investor

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## Final Thoughts and Questions



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