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The issue of holding brokers/registered representatives to the fiduciary standard of registered investment advisors is not the right issue and there is a much faster, simpler, way to help consumers. Two steps, both very easy for the industry and regulators to implement, address the concerns investors have about the responsibilities of their broker or advisor.

1 - Eliminate and forbid brokers/registered representatives from using titles including misleading words such as advisor, consultant, etc. According to FINRA's website, brokers may go by these titles, but they are "sales people". Match the titles to the job. There is nothing inherently wrong with an industry selling investment products, as a matter of fact, many investors prefer to choose products over the ongoing fees by advisors who provide ongoing management. This is particularly true of investors below $250,000 to invest, given the higher management fees of RIA's for smaller accounts. With simple disclosures, there are many existing "no-load" options for investors who do not want to pay for local, in-person, service.

2 - Eliminate confusing and esoteric names in all parts of communications with investors, particularly in the expense portion of a prospectus. The 12B-1 fee should not be limited arbitrarily and should not have a name most investors do not understand. Allow the fee but call it a name easily understood by investors. For example, instead of 12B-1, call it the Broker Dealer Trail Commission or Broker Fee. Do not allow an acronym, like BDTC, and require the name to be stated in full. Investors should be able to decide what is in their best interest, within reason, and the industry will not be able to sell over-priced products when the expense page of a prospectus is required to appear on the first page of the prospectus with language a 7th grader can understand.

Finally, brokers cannot be held to the fiduciary standard and they should not be held to this standard. In other industries, like automobiles, sales people are sales people. Consumers know these sales people make their living selling products. That doesn't mean they shouldn't buy cars and car salespeople are not required to tell their consumers a different brand is more appropriate for their needs.

Sales should be a respected and honored profession. Those with sales skills should be highly valued because they convince people to act. Eliminating sales people in the investment industry is a recipe for many investors leaving the markets.

I own and manage a small, one-man, state-registered investment advisor in Virginia. I have been a registered representative and life insurance agent. The easiest way to limit commissions is to require their disclosure on a one-page, pre-sale, document. Consumers need to be informed, but their choices should not be limited. Strong organizations like the CFA Institute, NAPFA, the CFP Board of Standards, and other organizations are in a great position to assist the SEC and FINRA in educating investors. Both the SEC and FINRA offer excellent investor education websites and it is these areas of the regulatory agencies which should be expanded.\

I urge the SEC and FINRA to focus on simplifying consumer communications and limiting brokers and advisors to accurate, simple, and complete disclosure of compensation.

It is not possible for brokers to sell any product while held to the fiduciary standard. Suitability is an appropriate rule and it fits the sales role of brokers. Educational materials and clear disclosure of titles, products, and compensation are in the consumers best interest. Keep investing simple and straightforward. Resist the actions of a congress that neither understands, nor seeks to understand, the investment industry.

Sincerely,

Puckett Paul
Principal - Beacon Wealth Advisors, LLC