PENCE WEALTH MANAGEMENT
Planning for Your Dreams™

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Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: "Study Regarding Obligations of Brokers, Dealers and Investment Advisers," File No. 4-606

Dear Ms. Murphy,

I have been serving clients as a Certified Financial Planner for thirty years. As an owner and president of Pence Wealth Management, I now manage more than $500 million dollars of clients' assets. I pride myself on my reputation – not only for improving my clients' long-term financial circumstances, but also for excellent client service and integrity – and it is out of concern for investors that I am writing to you about the need to harmonize regulations for broker-dealers and investment advisors.

The current dual regulatory system is opaque to most investors. Many do not understand the duties and obligations they should expect from the various different designations – investment advisor or broker dealer or insurance agent. The overwhelming amount of confusing materials that investors receive does little to clear up that confusion.

Further, it is my experience that many investors do not have a fundamental understanding of the different business models of brokers versus that of investment advisors. In fact, I've had investors say, in reference to management fees, that their "broker does this for free." An investor who does not understand how his or her financial service provider makes a living is a vulnerable investor, and as an advisor whose business largely caters to retirees, I believe the status quo is unacceptable. The harmonization of the standard of care for broker-dealers and investments advisors will bring a measure of critical protection and comfort.

Whether the SEC ultimately uses the word "fiduciary" to describe it, I believe the standard of care for investment professionals providing personalized investment advice should be to always act in the best interest of the client, and to always put the client's interests first.

Nearly two-thirds of our clients are fee-based advisory clients, and the rest are brokerage accounts. When we meet with a client to make an investment decision, we operate under the standard of care I described. If we have discretion, then our obligation is constant – to act in their best interest all the time, and to always put their interests first.

Other types of accounts might dictate the precise application of that standard. For example, if a client houses a security in a non-discretionary brokerage account, while we may account for that investment as part of an overall financial picture, it would be unrealistic to expect that – without discretion – we should be held to the same standard on an ongoing basis. However, in such circumstances, the advisor should be clear with a client about what they can and cannot expect: If a client wants to open a brokerage account merely to house an annuity or a number of shares of a long-held stock, the investment professional might provide that service. But the client should understand if the advisor is not monitoring that account as they would with a discretionary advisory account.

In other words, while whatever regulations emerge from the SEC must account for how a standard of care applies to a particular circumstance, investment professionals should be required to spell out such distinctions in a contract, using clear, concise language.

The same should hold true for disclosures investors receive. It is unreasonable to expect investors to read and comprehend all of the material they are currently given. New clients should receive disclosures that explain, clearly and concisely (in no more than three or four sentences, I would argue) precisely what services are being offered and what standard of care they can expect. The disclosures should make clear to the investor how that investment professional is earning his or her living, and any potential conflicts that exist.

Other key points: Advertising and sales literature standards must also be harmonized. Broker-dealers and investment advisers should have the same recordkeeping requirements. Broker-dealers and investment advisors should have the same licensing, qualification and continuing education requirements. Financial professionals who have access to client funds should also have to meet minimum net capital-levels, obtain a fidelity bond from an insurance company; and obtain audited financial statements.

I would also suggest that the SEC examine the standard of care as it applies to financial planners. After all, if a planner's responsibilities begin and end with the creation of a financial plan, with no objective standards by which they create the plan, a loophole is left that unscrupulous planners can exploit.

I am pleased that the Securities and Exchange Commission is reviewing the dual regulatory system. Investor confusion is only good for bad actors – clear rules and expectations will not

only help investors, but will also serve those of us who are already committed to a high standard of care for our clients.

Thank you.

Sincerely,

Laila Pence, CFP®, AIF®
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Pence Wealth Management