New Retirement Rules a Good First Step

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The new retirement savings account rules announced by the Labor Department yesterday did not let individual investors out of their responsibility to oversee their savings and are not as harmful as some critics would make them out to be. Rather, the rules rightfully require that those giving recommendations about how to invest retirement savings put the interest of their clients first.

At the heart of the rule is the fiduciary standard. The fiduciary standard requires investment professionals to put the interests of the clients ahead of their own. As a holder of the Chartered Financial Analyst designation, I am required to "act for the benefit" of clients and place their interests before my employer's or my own interests were I to give individualized investment advice. In contrast, the U.S. government's existing regulations on retirement savings follow the suitability standard. The Securities and Exchange Commission (SEC) says that this standard simply holds that the broker, advisor or other financial professional has "a reasonable basis for believing that the recommendation is suitable for a client." A variable annuity might be suitable for a new retiree rolling over his 401(k), but it wouldn't be in his best interest if a lower-cost deferred or immediate annuity would work just as well.

I'll discuss what the new rule covers. But first, I want to specifically address what it doesn't do. It does not stop malfeasance or incompetence. If a broker, advisor or other financial professional is motivated to bend or break the rules, he or she is going to do so. Fortunately, the majority of financial advisers obey the rules. The bad news is that there are bad apples—as there are in many other industries—and **many advisers who engage in misconduct are rehired**, as we discuss in the April *AAII Journal*. As such, it is still your responsibility to check **FINRA's BrokerCheck**, look at the **SEC's Form ADV**, check with your state securities regulators and run a Google search on the adviser's name.

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The Week Ahead

First-quarter earnings season will "officially" start with Alcoa's (AA) release on Monday afternoon. Joining it will be approximately 15 other S&P 500 members, including Dow Jones industrial average component JPMorgan Chase & Co. (JPM) on Wednesday along with Bank of America Corp. (BAC), BlackRock (BLK) and Wells Fargo (WFC) on Thursday and Citigroup (C) on Friday.

The first economic report of note will be March import and export prices, released on Tuesday. Wednesday will feature the March Producer Price Index (PPI), March retail sales, February business inventories and the Federal Reserve's periodic Beige Book. The March Consumer Price Index (CPI) will be released on Thursday. Friday will feature March industrial production and capacity utilization, the April Empire State manufacturing survey and the University of Michigan's preliminary April consumer sentiment survey.

Several Federal Reserve officials will make public appearances: Dallas president Rob Kaplan on Monday; Philadelphia president Patrick Harker, San Francisco president John Williams and Richmond president Jeffrey Lacker on Tuesday; Atlanta president Dennis Lockhart and Governor Jerome Powell on Thursday; and Chicago president Charles Evans on Friday.

The Treasury Department will auction $24 billion of three-year notes on Tuesday, $20 billion of 10-year notes on Wednesday and $12 billion of 30-year bonds on Thursday.

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