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Eleven firms, and their new DOL-related policies

By Editorial Staff *Thu, Oct 27, 2016*

A quick review of changes at LPL, Great American Life, Edward Jones, Nationwide, State Farm, Jackson National Life, Merrill Lynch, Commonwealth Financial, Morgan Stanley and Ameriprise in response to DOL fiduciary rule.

How 11 Brokerages, Wirehouses and Insurers Are Adapting to the DOL Fiduciary Rule

LPL. In May, the independent broker-dealer moved to standardize commissions on variable annuities at 5.5% for most contracts, and by the start of 2017, cap commissions on mutual funds at 3% to 3.5% and pay brokers a standard 0.25% trail fee. The firm will also standardize commissions for non-traded real estate investment trusts and certain insurance products.

Great American Life. In August, Great American, the third-ranked seller of fixed indexed annuities, introduced a zero-commission FIA with a living benefit rider for retirement clients of fee-based broker-dealer advisors and registered investment advisors. The Index Protector 7 offers higher caps on its point-to-point index crediting method—up to 6% compared with 3% to 4% cap on similar products.

Edward Jones. On August 17, the broker-dealer said it would stop selling mutual funds on commission to retirement investors and reduce investment minimums on fee-based accounts to make them more attractive to IRA investors.

State Farm. Starting in April 2017, State Farm will only sell and service mutual funds, variable products and tax-qualified bank deposit products through a self-directed customer call center.

Jackson National. In September, Jackson National Life, the largest seller of variable annuities in the U.S., launched its first fee-based VA, Perspective Advisory. It offers the same investments and benefit options as Jackson’s top-selling commission-based VA, Perspective II.

Nationwide. On September 26, the Columbus, Ohio-based insurer announced its purchase of Jefferson National Life, an issuer of flat-fee, no-commission variable annuities aimed at the RIA and fee-based advisor market.

Merrill Lynch. On October 6, the unit of Bank of America announced that after April 10, 2017, its IRA account owners will not be able to pay for trades on a commission basis. Their accounts will be assessed a percentage of assets. Brokers may reduce the fee ratio for those who trade but don't need full services.

Commonwealth. On October 24, Commonwealth Financial Network said its advisors would stop offering commission-based products in IRAs and qualified retirement plans as of April 10, 2017.

Morgan Stanley. On October 26, the wirehouse announced that, in contrast to Merrill Lynch, it would keep its commission-based IRA business when the fiduciary rule takes effect next year. Its advisors will use DOL's Best Interest Contract (BIC) exemption when charging commissions on transactions involving tax-deferred assets.

Ameriprise. On October 26, Ameriprise, like Morgan Stanley, said it would continue offering commission-based transactions on IRA accounts and use the BIC exemption, adding that it might reduce the breadth of commission-paying investment options offered to retirement investors.

Raymond James. On October 27, the broker-dealer, which has both independent advisors and employee-advisors, said it would continue offering commission-based transactions on IRA accounts and use the BIC exemption, like Ameriprise and Morgan Stanley.