Lower annuity prices will likely follow DOL fiduciary rule: Cerulli

By Editorial Staff *Thu, Mar 17, 2016*

"There will be unexpected changes to the retirement and wealth management industries, and, to a degree, this cultural evolution is what the proposed rule is hoping to effect," a Cerulli release said.

The Department of Labor's (DOL's) anticipated "Conflict of Interest" Rule will force a period of product and platform innovation in the United States, according to the first quarter 2016 edition of *The Cerulli Edge–Retirement Edition*.

"The requirements of the DOL's proposed Conflict of Interest Rule will ultimately lead to evolution of products and platforms," said Bing Waldert, managing director at Cerulli, in a release.

"Large broker/dealers (B/Ds) will use developing technology to serve smaller accounts on an at-fee basis. Insurance companies will be forced to lower variable annuity expenses and commissions to be in line with other financial products."

"The true impact of the DOL's proposed Conflict of Interest Rule may not be immediately felt, but will lead to a period of product and platform innovation at B/Ds and manufacturers," the release said.

"The primary concern of the DOL's proposal is to expand the definition of fiduciary to cover more instances of providing advice. This expansion, in turn, is designed to protect consumers from sales practices that may be tainted by a conflict of interest."

"Cerulli expects there will be unexpected changes to the retirement and wealth management industries, and, to a degree, this cultural evolution is what the proposed rule is hoping to effect," the release said.

The latest issue of *The Cerulli Edge–Retirement Edition* explores how asset managers, B/Ds, and plan sponsors confront an evolving retirement industry.

"The DOL's April 2015 proposal creates a new type of prohibited transaction exemption (PTE), referred to as the Best Interest Contract Exemption (BICE), which is a contract that the investment advice provider must present to a potential client," the release said. "Specifically, the financial institution must disclose any variable compensation that the advisor receives for the advice and resultant product sale, and comparative examples of compensation they would have received for other products."

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