
LPL will flatten advisor compensation on mutual fund sales

By Editorial Staff Thu, Jul 20, 2017

'Other financial firms have limited or even fully removed brokerage options for retirement investors. But when brokerage is in the best interest of your client, we're providing a solution,' said an LPL spokesperson.

In a nod toward compliance with the Department of Labor's still-uncertain fiduciary rule, LPL Financial's 2018 mutual fund platform will feature load-waived shares in more than 1,500 funds from 20 asset managers, *Bank Investment Consultant* magazine reported this week.

LPL, the largest independent broker-dealer in the U.S., also plans to cap upfront commissions to 3.5% and limit trail commissions to 0.25% on the platform, which is scheduled to launch in early 2018, according to press reports.

The fiduciary rule's best interest contract exemption (BICE) requires advisors who accept manufacturer-paid commissions on product sales to IRA clients to pledge to act in their clients' best interests instead of recommending products that pay the advisor more. To comply with the BICE, brokerages are leveling or reducing advisor compensation on mutual fund sales to IRA clients.

The mutual fund industry resents the rule, whose express purpose is to help IRA investors spend less on fees and keep more money in their accounts so that fewer of them run out of money in old age and need help from Medicaid. Its representatives are lobbying the Trump administration may try to rescind or revise the rule before its full implementation Jan. 1.

While some brokerages may choose not to offer brokerage services to IRA owners at all (thereby avoiding exposure to the legal liabilities of using the BICE) LPL and other firms think that complying with the BICE and modifying their brokerage services for IRA clients, rather than shutting them down, will be better for everybody.

"At launch, [the new platform] will be a price-competitive solution that not only preserves investor choice — but amplifies it," according to a company memo to advisers. "Other financial firms have limited or even fully removed brokerage options for retirement investors. But when brokerage is in the best interest of your client, we're providing a solution."

More than 80% of LPL's current mutual fund products for brokerage clients are expected to be on the new platform. Offerings from Fidelity Investments are still awaiting final approval for possible inclusion on the platform, LPL said in a memo obtained by *Financial Planning* magazine.

LPL executives have yet to decide if they'll require IRA owners to use the new platform, an LPL spokesperson told *Financial Planning* in an email. The choice depends on the "regulatory environment and industry developments," he said.