Whitepaper

How Sales Enablement Can Help Mitigate the Effects of the DOL Fiduciary Rule

SEISMIC

Introduction

With initial reactions and assessments of the Department of Labor's (DOL) April ruling on fiduciary duties having subsided, a closer look at which industry stakeholders will be most impacted by the regulation—and the extent to which each will need to adjust—is well underway. Several media outlets have begun deconstructing the regulation, pairing its compliance components with affected entities, and, by way of insider perspectives, opened the discussion on potential solutions. As John Anderson, managing director of practice management solutions for the SEI Advisor Network, economically declared in InvestmentNews, "This is going to be a bigger change than the industry expects."

There is no doubt ominous predictions and legal rebuttals to the rule will last until the date the majority of the changes take effect, which looks to be April 10, 2017, but the scramble for solutions that can mitigate losses of time and money for firms has already started. Beyond actually adhering to the components of the DOL regulation, recouping or offsetting both measurable and immeasurable costs of doing so is a top priority for stakeholders.

All pathways forward will require comprehensive commitment to and implementation of new technology and process systems, and it is imperative that firms take a holistic approach to compliance. No single remedy can accomplish the same positive results, and firms that maintain a siloed approach will struggle. This whitepaper will look at the DOL ruling costs across five highly affected parties and detail how sales enablement technology can begin to help address their respective concerns and alleviate some of the pains of the new regulation.

The DOL Fiduciary Ruling: A Quick Review

While a complete guide on the DOL rule *can be downloaded here*, some highlights are as follows:

- Under the Employee Retirement Income Security Act (ERISA), the DOL's new rule expands the definition and capacity of what it means to be a fiduciary
- Advisors working with clients on 401(k) and individual retirement accounts are most prominently affected
- It ensures that investment advisors are acting in the best interests of their clients
- A Best Interest Contract Exemption (BICE) needs to be signed if a commission or revenue sharing occurs
- Only "reasonable" compensation can be earned
- Frequency of advice rendered is not a factor
- Mutual agreement of advice rendered is no longer needed
- Advisors must disclose any and all fees and conflicts of interest

The purpose of the rule is to protect workers and retirees from being sold high-cost investment products that may benefit their advisors' commission earnings more than their own financial goals.

Defining Content Automation in a Financial Services Context

Sales enablement systems can provide a more streamlined approach to the production of updated, compliant and high-quality collateral materials, and help to manage them as well. Sales enablement also significantly reduces the time it takes distribution team members to locate and share their firm's best, most recent and, importantly, the most relevant content for a particular prospect or client. In terms of financial services in particular, sales enablement can be utilized within the following ways:

- *Performance Updates:* Streamline and accelerate the marketing materials update process by reducing the time it takes for performance data to be compiled, verified and entered into documents awaiting distribution
- *Centralized Management:* Reduce confusion and increase access to important marketing materials by storing everything in a centralized repository, or connecting previously siloed repositories
- *Distribution:* Deliver the most effective and relevant information to clients via a responsively designed platform that works across mobile devices as well as it does on a desktop computerFrequency of advice rendered is not a factor
- *Tracking and Monitoring:* Understand which materials make the most impact in the eyes of advisors and clients and, if necessary, remove or adjust underutilized or poorly performing content; easily document every client interaction and validate which materials were shown, when and for how long
- *Compliance:* React to new regulations and avoid compliance delays by efficiently correcting materials whenever necessary

Five Fiduciary Rule Stakeholders Who Can Benefit from Sales Enablement

Independent Broker-Dealers (IBD)

IBDs are the most adversely affected stakeholders, as they lack the legal and financial scalability necessary to navigate and adhere to the new DOL requirements. This disruption will cause some firms to switch to a fee-based rather than commission-based compensation structure, while others will retain only clients with high account balances, and still more must consider merging with similarly affected IBDs or simply closing. Regardless of their chosen path, all firms will have to deal with the costs of complying with the ruling.

By utilizing the powers of sales enablement, IBDs can not only offset the money spent but also reclaim the time lost to aligning their services with the regulation's guidelines. In a market that increasingly favors scale, centralizing and streamlining the process of delivering up to date content to help support adherence to the DOL's rule can keep IBDs competitive and compliant, ensuring that broker-dealers have the most relevant and appropriate materials for clients and the analytics to verify which products were recommended to them.

Registered Investment Advisors

Prior to the DOL's ruling, RIAs that were already seen as fiduciaries could operate without too much concern for competition, but once the new industry standards take effect, the marketplace is likely to see some crowding. Additionally, those advisors rolling over 401ks to plans with higher fees now must justify the increase to clients; therefore, the need to convey information that illustrates such changes will require further monetary and time commitments.

Whether RIAs are looking to build and distribute compliant materials in a cost-effective manner or differentiate themselves in an increasingly competitive landscape, sales enablement can help them achieve both. Personalizing client-facing documents and tailoring data to tell a story that better represents the services an RIA renders is a way for firms to not only claim a marketplace advantage, but explain why higher fees tied to stronger investments are in the best interest of a client.

Insurers

Because of the need to satisfy BICE, insurance companies that sell high-commission variable annuities expect to lose revenue, with some forecasting a 15% to 35% drop overall. Besides the fact that companies will have to develop new, fee-only retirement products to replace those that don't meet the standard, declining revenue streams will have to be filled with operational cost savings.

Sales enablement can not only help restore margins by dramatically reducing the level of commitment required by numerous departments to rebuild marketing materials, but also leverage a sentiment of the market: transparency. The company that best and most clearly conveys its service messaging and retirement plans will win in today's well educated investor marketplace.

Mutual Funds

Mutual fund costs will most certainly undergo significant scrutiny as firms strive to meet the fiduciary standard set by the DOL ruling. With active, high-fee funds requiring full disclosure and an explanation for their inclusion in an allocation, advisors and broker-dealers will look to passive, lower-cost options to appeal to clients and exceed the level of fiduciary expectation.

Since the investments that comprise these allocations may substantially change, perhaps more than once, advisors and broker-dealers will need to update their materials in accordance with the ruling, and must do so in a manner that isn't a financial burden nor an impediment to providing clients with excellent, efficient service.

Legal and Compliance Teams

As is the case with any new piece of regulation, a firm's legal and compliance team must not only research and understand each component, but also confirm that all external materials and messaging stay compliant. Any violations of BICE through errant content could potentially lead to a client taking legal action, thus requiring a firm to call upon its counsel. But, as any proactive lawyer or compliance officer will attest, a real-time review strategy is definitely the best way to avoid any and all legal recourse. The only caveat, again, is that all of these aspects increase operational costs.

Without sales enablement, real-time compliance reviews are extremely difficult, if not impossible. With multiple parties submitting dozens of documents to the legal department, the approval timeline can fluctuate dramatically, delaying client conversations and possibly affecting revenue. Firms already facing a decline in earnings due to the fiduciary rule's enactment cannot afford such an impediment. Sales enablement allows legal and compliance teams to instantly review and update content across all divisions of a firm, as well as place restrictions on who can and cannot change any language or data necessary to remain compliant.

Moreover, legal is provided with the analytic and tracking capabilities necessary to follow, in real time, which content was accessed by whom, shown to whom, and for how long. This proactive functionality helps a firm defend itself against possible lawsuits, as all data can be leveraged to prove, for example, that lower cost products were made readily available and all services rendered were in the best interests of a client.

Conclusion

Regardless of one's position on the Department of Labor's ruling, the financial services industry will be required to pivot and adjust in accordance with the regulation's requirements. Affected stakeholders range in AUM size and product breadth, and therefore, proportionally speaking, the resources needed to comply with the ruling could be overwhelming for some. The search for a silver bullet is underway, and thus far none is known to exist. However, firms that take a holistic approach to tackling the DOL ruling and work to knock down the internal silos that impede productivity will greatly benefit by adopting sales enablement technologies. These adversely affected firms can begin to reclaim the dollars and hours lost to complying with the fiduciary rule or any other future regulatory decisions, and may even find themselves at a competitive advantage in the wake of adopting such technologies and mindsets.

Start the Process

Ensure that Your Advisors Are Complying with the New DOL Fiduciary Rule

About Seismic

Seismic is the leading end-to-end sales enablement solution that increases sales productivity and marketing effectiveness by delivering the right content at the right time on any device. By creating, customizing and analyzing sales materials with Seismic, our customers dramatically increase time spent selling and improve win rates. With offices in San Diego, Boston, New York, Chicago and Melbourne, Seismic is privately held by its three-time serial entrepreneur executive team and leading venture capital firms Jackson Square Ventures.