

## For Immediate Release:

### Kehrer Bielan Study Group Identifies Top 10 Challenges of DoL Rule

#### *Charts Firm-by-Firm Path to Responding*

Agrees Rule Will Accelerate Current Initiatives

**CHAPEL HILL, NC APRIL 21, 2016:** The Kehrer Bielan study group of top executives who manage investment services in banks and credit unions identified the most pressing challenges they face in implementing the Department of Labor's Fiduciary Standard Rule. The cumulative impact of the changes driven by the Rule create the potential for transformation of the business as we have known it.

To implement the DoL Rule, firms will need to:

- Accelerate the transition to Advisory business while ensuring that advisory fees are being earned, and can be justified.
- Rethink how Advisors are compensated.
- Refocus on financial planning.
- Cull the product menu to align it with the firm's brand promise and facilitate managing conflicts of interest and disclosures, while looking to better meet the life insurance needs of clients, which will replace some of the lost revenue.
- Demonstrate that fees and pricing are reasonable.
- Expand delivery channels to serve clients with limited investible assets, through call centers, a digital advice platform, or other low cost delivery methods.
- Reassess the value and risks of platform investment sales representatives.
- Upgrade and grow the Advisor sales force in an environment where successful Advisors are a flight risk, where less successful Advisors may not survive, and where there is substantial competition for successful Advisors.
- Educate the host bank or credit union about the substantial increase in the cost of doing business and declining revenue in the near term due to the compression of fees and erosion of commission business.
- Assess the enterprise-wide litigation and reputation risk of the Best Interest Contract Exemption.

The participants tackled each challenge in turn, and suggested how their firm might respond. The group concluded that the DoL Rule will accelerate the transformation that many of the firms have been undertaking anyway, while posing new obstacles to that transformation.

“Regardless of how you feel about the rule, the fact is that the rule has been finalized and we all need to start preparing our businesses to thrive under the new regulatory regime,” commented Peter Bielan, a principal of the firm. “The good news is that this rule gives firms the opportunity to significantly advance sweeping initiatives into our business that will lead to the long term health of the firm.”

Prior to convening the study group, Kehrer Bielan hosted two conference calls to discuss the impact of the DoL Rule on Advisor compensation and the future of the bank brokerage industry. The calls were attended by over 200 industry executives, including representatives from nearly every bank-owned broker dealer, dozens of regional and community banks and credit unions, all of the largest third party broker dealers and several major product and service providers.

The cumulative discussions provided a blueprint of the alternative ways firms might adapt their businesses to the DoL Rule. Kehrer Bielan will build on these discussions to provide guidance on each challenge in the months ahead. In addition to its highly regarded conference calls, the firm will convene a discussion group September 29-30 to help participants capitalize on the new importance of financial planning and life insurance.

The study group discussion took place at the Kehrer Bielan Spring Tune Up Leadership Retreat April 13-14 at Fearington Village, outside Chapel Hill, NC. The meeting also included a fresh look at the optimal number of Financial Advisors, how the elements of an Advisor’s compensation plan impact sales force expenses, and a preliminary comparison of the cost of operations in banks that operate their own broker dealers versus those that outsource BD operations. The study group was sponsored by Midwood Financial, LPL Financial, Terrapin Technologies, and Croesus Wealth Management Solutions.

The next meeting of the study group will be at the Fearington Fall Forum Oct 13-14, where the focus will be on the transformation of the business from a commissions-for-transactions model to an advice model focused on advisory products.

**About Kehrer Bielan Research & Consulting.** KBR&C provides the financial advice industry with insights based on a melding of research and experience in managing the delivery of investment, insurance, and wealth management services. The firm provides performance assessment and benchmarking, human resource management and development, due diligence, consumer insights, and interpretation of industry trends through its original research, unbiased consulting, and peer study groups.

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