



TOP TEN QUESTIONS TO ASK REGARDING THE DOL RULE

866.234.4370

www.LibertyFinancialResources.com

70 W. Streetsboro St, Suite 301
Hudson, OH 44236



Liberty Financial Resources has been following the **DOL Fiduciary Rule** since it first appeared on the radar back in 2010. We are in ongoing communication with industry leading Advocacy Groups, Legal and National Marketing experts, Insurance Carriers, and other Independent Marketing Organizations. There are many differing opinions as to what the final impact of this rule will be as well as multiple lawsuits challenging its legality. It is still too early for anyone to provide truly definitive answers. However, we do know what is required under the current rule scheduled to take effect April 10, 2017, so we are preparing for the worst while hoping for the best. **For those that prepare, there will be new opportunity!** We are currently developing a marketing platform that will allow advisors to continue to write qualified annuity business as an independent producer through Liberty Financial Resources. Our platform will assure that you fulfill the DOL requirements and will provide you with a broad range of carriers and products to choose from. Here are 10 questions that we feel are most helpful to have answered while applying the rule to your current business.

1 Will the DOL Rule Affect "Fixed" Insurance Sales?

2 What is B.I.C.E.?

3 What is PTE 84-24?

4 Do I Need to Get My Series 65 License to Sell FIAs for Qualified Money?

5 What is a "Financial Institution?"

6 If Insurance Carriers Are Financial Institutions Won't They Sign the BICE Contracts for Agents Appointed With Them?

7 Will IMO's Be Out of Business?

8 Should I Sign Up With a Large IMO to Protect Myself?

9 What Impact Will the Election or Pending Lawsuits Have on DOL?

10 What Changes to My Business Can I Expect From DOL?

1 Will the DOL Rule Affect "Fixed" Insurance Sales?

Yes, this is where the major impact of DOL will be felt! Independent Marketing Organizations (IMOs) sold 60% of fixed indexed annuities in the 4th quarter of 2015 and approximately 70% of those sales came from Qualified Retirement accounts. An agent will still be allowed to sell a Qualified Fixed Indexed Annuity, but under DOL, must follow the guidelines under the **Best Interest Contract Exemption rule (BICE)**. Qualified sales of traditional declared rate (Non Indexed) annuities are not subject to the BICE but fall under PTE 84-24.

2 What is B.I.C.E.?

The **BICE (Best Interest Contract Exemption)** is a required contract between the Financial Institution and the Qualified Annuity purchaser, asserting the producer is acting as a **Fiduciary**, agrees to act in the client's best interest, will not make any misleading statements related to a transaction, and that the financial institution has adopted policies and procedures designed to mitigate conflicts of interest.

3 What is PTE 84-24?

(Prohibited Transaction Exemption). PTE 84-24 is an exemption that allows for the recommendation of certain fixed annuity contracts to be used for qualified funds. This exemption has been around since 1984 thus 84-24. This exemption has been revised under the new DOL rule. Under PTE 84-24 it is not necessary for a BICE agreement to be signed. However, the advisor is held to a "Fiduciary Standard", requiring that the advisor act in the "Best Interest" of their client and disclose any "Material Conflicts of Interest". It also requires that the recommendation be without regard to the financial or other interests of the Insurance Advisor, insurance company, related entity, or other party.

4 Do I Need to Get My Series 65 License to Sell FIAs for Qualified Money?

No, but we strongly advise you to consider obtaining this license. You are not required to be licensed as a Fiduciary but you are required to act as a Fiduciary when making recommendations on Qualified Retirement funds. You will also need a Financial Institution that is willing to sign the BICE agreement. Some insurance companies may not be comfortable with an agent selling their annuity products if they are not affiliated with an RIA, Broker Dealer, or FMO that has a supervisory platform in place. This is why it is of utmost importance to consider getting your series 65. If you plan to remain in this business and desire the best opportunity to grow your business and best serve your clients, you will want to become an IAR (Investment Advisor Representative) with a reputable RIA (Registered Investment Advisor). It is important that you choose your RIA wisely. You will want to affiliate with an RIA that is insurance friendly and offers hands-on training and guidance as you learn how to make proper recommendations and manage your client's assets. We believe the industry is moving towards fee-based financial services and away from commission-based financial product. Preparation for this change is key. There will be tremendous opportunity for advisors who position themselves to take advantage. Liberty Financial Resources has an outstanding RIA platform available to agents that work with us. We'd love the opportunity to talk to you about it. Caution. It is not in your best interest to get your 65 for the sole purpose of selling more annuities.

5 What is A "Financial Institution"?

As of this publication, there are eighteen FMOs/IMOs that have applied for Financial Institution Status. There is no guarantee that any of these firms will be granted Financial Institution Status and many of them have little chance, if any, of getting approved. Some firms are using this as a marketing ploy to gain market share by coercing agents to affiliate with them. Liberty Financial Resources is affiliated with two of the most likely firms to be granted status as well as an extremely large national RIA that has agreed to sign the Best Interest Contact Exemption for our affiliated agents, provided they use AssessBEST, our Robo-Fiduciary Suitability System. As a result, agents working with Liberty Financial Resources will be able to continue to sell annuities for Qualified funds. Keep in mind, that the DOL has already said that RIAs can be Financial Institutions, provided they meet certain requirements. This is very different from FMOs and IMOs asking the DOL to allow them to be considered as Financial Institutions. Even if the DOL creates a new category of Financial Institutions, for FMOs/IMOs, the FMOs/IMOs would still have to meet certain requirements to be considered. **DON'T BE FOOLED OR BULLIED BY THESE FMOs/IMOs** that are telling you that you must affiliate with them in order to sell annuities post DOL. As of the date of this publication, the DOL has not agreed to allow FMOs/IMOs to become Financial Institutions.

6 If Insurance Carriers Are Financial Institutions Won't They Sign the BICE Contracts for Agents Appointed With Them?

Some may sign the BICE, however, most will likely not, as it makes the insurance company directly liable for assuring that the recommendation by the advisor and the product sold were in the best interest of the client. Insurance companies today are largely manufacturers of product and

If Insurance Carriers Are Financial Institutions... Cont.

are not equipped to train and supervise agents. For many years they have left this task to FMO's and Broker Dealers. Most insurance companies will likely distribute their products through organizations that have Financial Institution status or a platform in place for a Financial Institution to sign the BICE agreement for their agents.

7

Will IMO's Be Out of Business?

No, but there are definite challenges to the IMO business model. Smaller IMOs are likely to close or merge with larger wholesalers who have the financial resources to retool their models to comply with DOL. IMOs will have to align with a Financial Institution or apply for Financial Institution status in order to continue in this market place. As previously mentioned, a handful of large FMO/IMOs have applied for Financial Institution status. Two things need to happen before carriers will distribute through them. First of all, the FMOs/IMOs must be approved as Financial Institutions. Secondly, the carrier will need to be comfortable with their BICE procedures, before they will distribute through them. It is important to note that just because an entity is a Financial Institution, does not mean that all insurance companies will distribute products through them. The carriers may also choose to align themselves with non-IMO specific Financial Institutions. Liberty Financial Resources, in conjunction with The MV Group, is building a proprietary platform that will enable our agents to sell FIAs in a qualified plan no matter what license they hold. We believe this will provide a broader array of companies and products for the independent producer.

The truth is, nobody knows for sure if there will be changes or delays on the current DOL ruling, but we believe whether or not it stands as it is today, our industry is moving in the direction of this type of regulatory oversight and we should be prepared for it.

8

Should I Sign Up With a Large IMO to Protect Myself?

No. Liberty Financial Resources on its own is not considered a "large" IMO but we are a member of the MV Group, which is a National Marketing organization whose combined members sold over \$3 billion in Indexed Annuities last year. Through our marketing relationships, Liberty Financial Resources already has access to multiple Financial Institutions and we are now in the process of developing the systems and procedures to implement BICE compliance. Multiple Carriers have already indicated an interest in working with MV and the platform that is being developed. We've got you covered!

9

What Impact Will the Election or Pending Lawsuits Have on DOL?

Some people believe there is a chance the DOL ruling will never be implemented either due to Congressional action or Court decisions. Many believe there will be delays and some changes but ultimately some version of DOL will be implemented. The truth is, nobody knows for sure, but we believe whether or not it stands as it is today, our industry is moving in the direction of this type of regulatory oversight and we should be prepared for it.

10 What Changes to My Business Can I Expect From DOL?

There are many gray areas and unfortunately nobody has a crystal ball. It is safe to assume a Qualified Annuity sale is going to require more steps, processes and documentation. We anticipate this process will look like an enhanced version of suitability review. New products are likely to emerge from the Carriers and we anticipate multiple enhancements to traditional fixed products that do not fall under BICE. We expect Carrier contracting and appointment procedures to become stricter and more thorough. It is also possible that the independent agents will have access to fewer Carriers as the insurance companies try to limit their liability exposure by developing fewer and more proprietary distribution channels. Lastly, as "Reasonable Compensation" is one of the criteria to determine what is in the "Best Interests" of the client, we do expect changes to compensation and in general less variance from product to product.

What Should I Do Now?

- Between now and April 10, 2017 it is business as usual so take advantage of this window to help as many of your clients as possible benefit from investing their IRAs and other qualified monies in FIAs as part of retirement income plan. If anything changes, we will let you know.
- Review the top 4 or 5 companies that you like to do business with and make sure your appointments and documentation are current with LFR. If some of these are not under Liberty Financial Resources, we recommend moving them to LFR in order to reduce the risk of being terminated if that IMO will not have an ongoing relationship with that Carrier. In the future, we believe contracts may be consolidated under one IMO relationship with the producer akin to the broker-dealer model.
- If you plan to stay in this business long term, we recommend getting your Series 65 soon. We will be your number one advocate in helping you pass the exam by walking you through the application and exam process. You can pass your exam and have your IAR status in just ninety days. Let us help you. Once you have passed your exam, our RIA will work with you and teach you how to begin introducing wealth management into your practice.
- Don not panic. This is a major change in our business however it is not the first and it won't be the last. Embrace it and look for the opportunity. Everything will be ok. Let us help you through the adjustments that you will need to make. We've got you covered.

Want to know more about the opportunity with our Registered Investment Advisor? Give us a call at 866-234-4370, we'd love to talk to you about it. [Experience the OnPointe Advantage!](#)

The terms **FMO (Field Marketing Organization)** and **IMO (Insurance Marketing Organization)** are industry labels that are synonymous and used interchangeably in this report.