COMPLIANCE WATCH: Watch What You Say About Retirement

DJ00000020090421e54l000h1
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A DOW JONES NEWSWIRES COLUMN
594 Words
21 April 2009
18:53 GMT
Dow Jones News Service
English

NEW YORK (Dow Jones)--Regulatory screws are tightening on retirement advice given by financial professionals.

The federal government appears to be targeting so-called prohibited transactions, such as financial advisers recommending funds or service providers that pay advisers higher fees than funds or providers that might be less expensive and more appropriate, according to Jason Roberts, a partner at Reish Luftman Reicher & Cohen, a law firm in Los Angeles with an employee benefits practice.

The Department of Labor seems to have "markedly increased its examination and enforcement activity directed at broker-dealers and registered investment advisers," according to a report by the law firm. Attorneys at the firm say some clients have reported being the subject of joint or concurrent examinations by the Labor Department and Securities and Exchange Commission.

The Labor Department has postponed controversial regulations, which were to have taken effect in March, aimed at increasing retirement-plan participants' access to investment advice. The department requested comments on the rules, and some attorneys and financial-services executives expect the regulators to rework parts of them.

An SEC spokesman said the agency doesn't comment on examinations but is "working effectively with the Department of Labor for the protection of retirement savers." A Labor Department representative didn't respond to a phone message and email seeking comment.

The Labor Department and SEC signed an agreement in July to facilitate the exchange of information on matters of mutual interest, such as examination findings and enforcement cases.

Other attorneys say their clients haven't yet been subject to increased regulatory scrutiny but believe more oversight is on the way.

"There is a lot more talk and anticipation of coming enforcement and examination activity by the DOL on all parties - plan sponsors, plan providers, brokers and investment advisers," said Marcia Wagner of the Wagner Law Group in Boston.

The regulators and members of Congress are, for example, probing target-date and life-cycle funds amid recent losses and examining retirement-plan fees and expenses, Wagner said.

Reish Luftman attorneys, meanwhile, believe regulators also will be looking for inappropriate behavior involving retirement-plan distributions and rollovers to individual retirement accounts.

The Department of Labor's pending rules address IRA rollover advice.

Rollovers and supervision were the focus of a recent enforcement action by the Financial Industry Regulatory Authority, which oversees securities firms.

Finra ordered Morgan Stanley (MS) in late March to pay more than $7 million to resolve charges the firm failed to detect and prevent two brokers from persuading employees of two large companies to retire early and invest their retirement assets with the brokers. Nearly 200 employees suffered financial hardship as a result of the brokers' actions, Finra said.

Roberts says the overall message from regulators seems to be: "If you are going to service retirement plans, you had better know what you're doing."

(Kristen McNamara writes Practice Management, a column that looks at ways financial advisers can build and improve their business. She can be reached at 201-938-5392 or by email at kristen.mcnamara@dowjones.com.)

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