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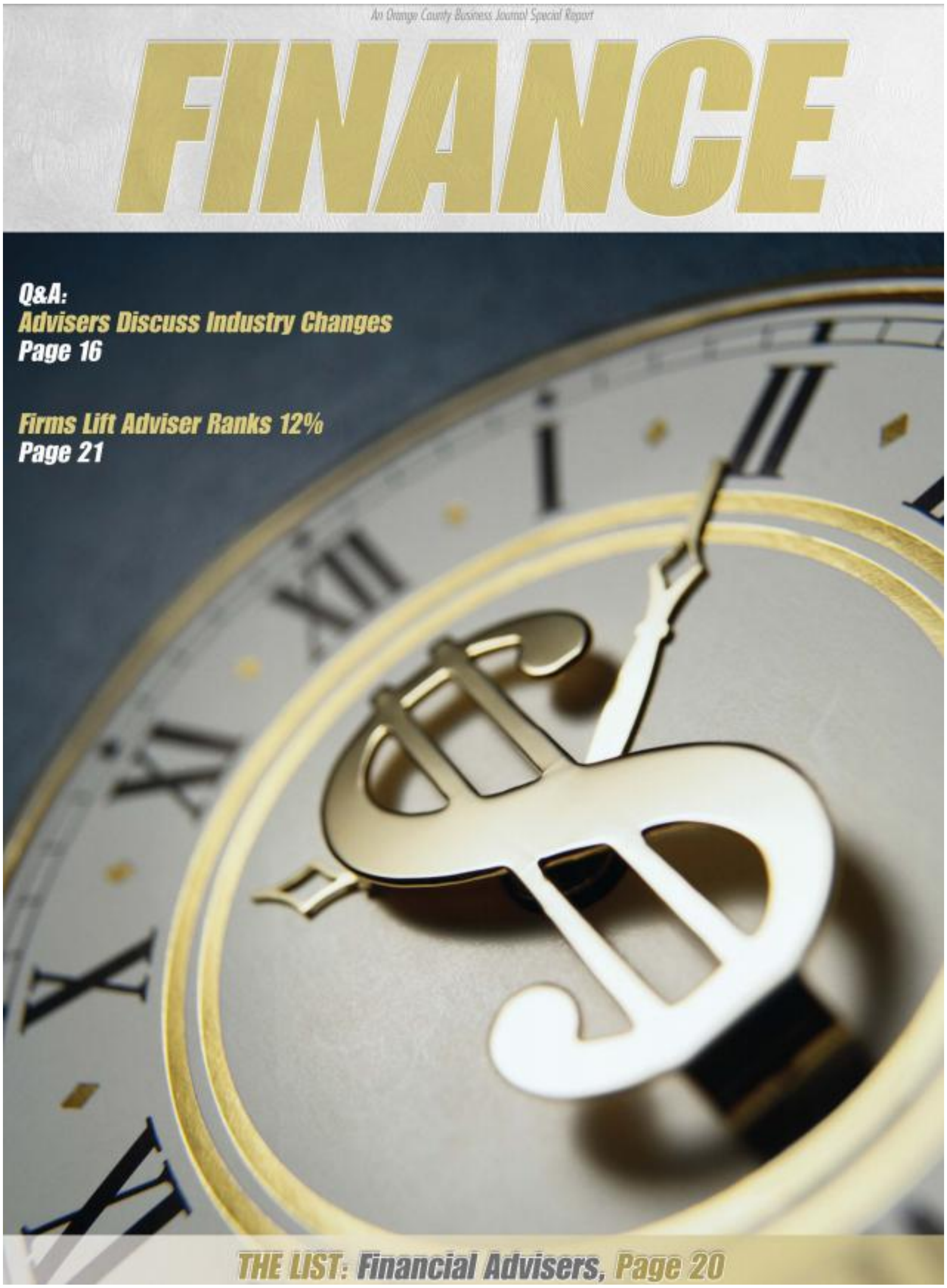

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[Q&A]

A lot has been said about the U.S. Department of Labor's new fiduciary rule and clients' recent moves toward indexed investments and robo advisers.
The new rule requires financial advisers to place clients' interests before their own profits. It's meant to protect investors from hidden fees and excessive payments that are poorly explained or concealed in fine print and that consequently lower returns on retirement savings.
Many savers have started moving funds away from active investment advisers and toward computerized advisers and indexed funds because the latter methods are believed to provide comparable or better investment returns and to do better over time at a lower cost.
The Business Journal's Michael de los Reyes asked Orange County's financial advisory firms for their insights on those issues.
Here are the edited excerpts of firm leaders' responses:

Rhonda L. Ducote
President/Principal
Apriem Advisors
Irvine

The fiduciary rule will take effect in a few short months, and when it does, the measure will greatly benefit consumers. Gone will be the days when unscrupulous brokers put their clients into investments they did not necessarily need just because the broker wanted the commission or was trying to unload someone else's positions.

Starting in April, all financial advisers will have to act in the best interests of their clients. At Apriem Advisors, we've always carried a fiduciary responsibility, being fee-based rather than commission-based, so the rule change will not affect us in that regard.

However, we do expect the change to make our space even more competitive, since our advantage of being an independent, registered investment adviser firm dedicated to solely serving our clients may become the "new normal."

By that same rationale, though, financial advisers will gain an advantage over the emerging class of so-called robo advisers, which have gained more than $20 billion in market share over the past few years. If someone was thinking of investing with one of these internet-based financial management systems, which allocate your savings based on algorithms and a brief questionnaire, that consumer will likely think again, once the trust of human advisers is restored with the help of the fiduciary rule.

There is a place for automated allocations. Such tools can work well for a young professional who is first starting to amass wealth and does not yet own many hard assets, such as real estate. He or she might be looking for the simple diversity that a robo adviser provides, but for those who are 50 and older, their lives and mix of assets are much too complex to leave in the hands of a computer. Such a portfolio requires frequent communication with experienced advisers who are focused on clients' well-being. That personal touch is more important now than ever.