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PTE 2020-02: New Rules for the Rollover

May 11, 2022 By: William Trout

Overview

Until recently, the lack of a regulatory spotlight on rollover advice has afforded advisors latitude in their client recommendations. Implicit in this latitude has been the opportunity to generate fees for referrals and recordkeeping not allowed under ERISA.

The Prohibited Transaction Exemption (PTE) 2020-02 put forward by the Department of Labor this February enables the advisor to receive such compensation, as long as the advice can be shown to be best interest of the client. Such a determination must be based on cost as well as the value and fit of the recommendation to the circumstances of the client, and it must be documented via written disclosures, which wealth managers have until July to deliver.

Fulfilling the requirements of PTE 2020-02 means meeting the needs of multiple stakeholders: the financial advisor or agent; the client; the home office; and, of course, the regulator. Overlap of supervisory regimes and the relevance of PTE 2020-02 to RIAs, broker-dealers, and insurance agents make compliance particularly daunting.

Key questions discussed in this report:

- How will PTE 2020-02 affect representative and advisor workflow?
- What gaps exist for DoL rollover compliance?
- How can technology support DoL advice requirements around rollovers?

Companies Mentioned:

Broadridge, CANNEX, Docupace, Fiduciary Decisions, InvestorCOM, Morningstar, Nice Actimize, Riskalyze

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