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An Interview With Blaine Aikin

By Anna M. Rappaport

Blaine Aikin, CFA, CFP, is an accredited investment fiduciary analyst (AIFA) and a recognized thought leader in the field of financial advice and fiduciary responsibility. He is executive chairman of CEFEX, which assesses and certifies conformity to high standards of conduct by investment advisers, retirement plan sponsors and other organizations to help them mitigate compliance, business and reputational risks. CEFEX certification confers a mark of distinction that signifies fiduciary excellence and trustworthiness.

Over the last 10 years, there has been a growing focus on the importance of retirement advice and controversy over fiduciary responsibility linked to retirement advice. During my time on the ERISA Advisory Council (2010–2012), I learned about Fi360 and the fact that they offer fiduciary education to plan administrators. The application of fiduciary requirements in the retirement space continues to evolve. A new code of ethics will apply to CFP professionals starting in 2019. To get some perspectives on evolving fiduciary requirements, I interviewed Blaine Aikin, executive chairman of Fi360 and CEFEX.

Anna Rappaport (AR): Can you tell us a little about yourself and Fi360?

Blaine Aikin (BA): I serve as executive chairman of Fi360 and CEFEX, which are affiliated organizations. Fi360 educates and equips individual investment fiduciaries. CEFEX certifies organizations that demonstrate that they have engrained fiduciary best practices in the fabric of their operations.

I joined Fi360 and CEFEX in 2005 after more than 20 years in financial services as an investment adviser and corporate executive. Throughout my career, I have endeavored to pursue and promote professionalism in the field of financial advice. I am a Certified Financial Planner [CFP] professional and a Chartered Financial Analyst [CFA]. I also hold the Accredited Investment Fiduciary Analyst [AIFA] designation offered by Fi360.

From 2013 through 2017, I had the privilege of serving on the Certified Financial Planner Board of Standards, and served as board chair in 2017. I currently chair a commission formed by the CFP Board to provide CFP professionals guidance on implementing the new Code of Ethics and Standards of Conduct adopted by the board earlier this year.

Turning now to Fi360, I mentioned at the outset that Fi360 educates and equips investment fiduciaries. Investment fiduciaries are people who are responsible for taking care of other people's money and are held to high ethical and competency standards through law and regulation. Investment advisers and asset managers are our main focus, although we also work with investment stewards—people who are fiduciaries for retirement plans, charitable organizations and trusts—to make sure they understand their high responsibilities and how to fulfill them.

Everything we do as an organization is rooted in our Prudent Investment Practices. We publish handbooks for investment advisers and stewards that present the legally substantiated obligations of investment fiduciaries in the form of a step-by-step process that ensures an investment strategy is being properly developed, implemented and monitored according to both legal obligations and best practices.

Our most visible presence is through the professionals who hold one of our fiduciary designations. There are currently over 11,000 Accredited Investment Fiduciary [AIF] or AIFA designees.

Above all, investors expect the fiduciaries they depend upon to be competent and ethical. In addition to our training, we provide technology and analytics to make sure the knowledge we impart is easy to implement. Collectively, our services are designed to enable fiduciaries to demonstrate that they are worthy of the trust and confidence of the people whose financial well-being depends on their actions.

AR: Why are fiduciary requirements important to individuals getting retirement advice?

BA: When we seek professional advice—medical, legal or financial—we need to know that the advice we receive is trustworthy. The power of a professional's presumed superior knowledge makes us dependent upon them because we are ill equipped to assess whether the advice they offer is sound.

Society has long recognized, for literally thousands of years, that professionals must be accountable to provide objective advice that serves the client's best interests, and that the quality of the advice must be "professional grade." This recognition has given rise to two fundamental fiduciary duties of a professional: loyalty and care. Loyalty means that conflicts of interest must not taint the advice provided. Care requires the advice provider to act with the skill, prudence and diligence expected of a competent professional. It is no coincidence that the word "fiduciary" is derived from the Latin word *fiducia*, meaning trust.

Fiduciary advice differs from sales recommendations. Advice deals with complex matters that require special training; it is provided by a qualified professional to a layperson. Sales transactions are conducted either as directed by a professional (like getting a doctor's prescription filled) or as negotiated by a knowledgeable customer who recognizes that the salesperson and the customer are each acting in their own interests (like when buying a car).

In financial services, it is often hard to distinguish between fiduciary advisers and non-fiduciary salespeople. They often use the same job title, including "adviser." That's why people seeking professional advice need to understand whether the person they are working with is a fiduciary and have confidence that those fiduciaries are able to meet the standard of a professional.

AR: What new developments are there with regard to fiduciary requirements? What is the new code of ethics that will apply to CFP professionals starting in October 2019?

BA: Over the past decade, since the financial crisis of 2008, there have been multiple attempts by federal and state legislators and regulators to expand fiduciary accountability to all those who provide advice to investors. The Department of Labor introduced a fiduciary rule that took effect in April 2017 that would have accomplished that expansion for advice on retirement accounts; however, the rule was successfully challenged in court, and the rule was vacated in June 2018.

Now the Securities and Exchange Commission has proposed a package of rules that would create a new "best interest" standard for brokers providing advice. This set of proposals is controversial, in part because this best-interest standard would stop short of a fiduciary standard, and the fiduciary standard is also considered a best-interest standard. Confusing to say the least!

Frustrated with the lack of decisive action, some states are now pursuing fiduciary accountability for those who provide advice to consumers in their jurisdiction. The result could be a patchwork of regulatory systems for financial advisers.

In March 2018, CFP Board adopted a new Code of Ethics and Standards of Conduct that requires CFP professionals to act as a fiduciary at all times when providing advice. This is in keeping with the organization's mission to "benefit the public by granting the CFP certification and upholding it as the recognized standard of excellence for competent and ethical personal financial planning." The new Code and Standards will become effective on Oct. 1, 2019.

AR: How will they affect average Americans? How can they distinguish whether a source of advice is subject to fiduciary requirements?

BA: Unfortunately, with the demise of the DOL's fiduciary rule and an uncertain future for other federal and state regulatory efforts, the impacts of regulatory initiatives are unpredictable. However, consumer groups and professional organizations like CFP Board and CFA Institute have been vocal in supporting fiduciary legislation and regulation. The public is also becoming more informed about the importance of working with a fiduciary adviser. These developments have placed competitive pressure on financial-service firms to accept and even embrace fiduciary accountability.

For now, consumers should ask anyone they are considering to hire to provide objective financial advice to provide written evidence from their regulatory filings or in their client agreement that they will act in a fiduciary capacity when providing advice. Financial advisers that are CEFEX certified will be able to readily provide this assurance, along with third-party verification of their conformity to fiduciary obligations and best practices.

AR: Can you recommend some basic resources for people who want a basic understanding of fiduciary requirements today?

BA: All retirement plan sponsors should read a publication from the Department of Labor titled *Meeting Your Fiduciary Responsibilities*. It can be downloaded from the DOL's website at *https://www.dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/publications/meeting-your-fiduciary-responsibilities.pdf*.

For more complete and specific information about investment fiduciary responsibilities of retirement plan fiduciaries and other stewards, Fi360's Prudent Practices for Investment Stewards handbook can be found on the Fi360 website at *https://www.fi360.com/main/pdf/handbook_steward.pdf*.

Finally, I wrote "Who Is a Fiduciary and What Does a Fiduciary Investment Advisor Do?" (*https://investmentsandwealth.org/getmedia/5cc769cc-016f-43b9-a190-42159f1614ff/IWM17SepOct-WhoIsAFiduciary.pdf*). The article appeared in the September/October 2017 issue of the journal *Investments and Wealth Monitor* by the Investments and Wealth Institute. ■

Anna M. Rappaport, FSA, serves as chairperson of the Committee on Post-Retirement Needs and Risks (PRNR) and the Steering Committee for the Aging and Retirement Strategic Research Program. She can be contacted at *anna.rappaport@gmail.com*.

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