Abner Herrman & Brock
asset management

The Fiduciary Rule- An SMA Solution

The DOL's Fiduciary Rule will become effective on June 9, 2017. This rule requires advisors to act as a fiduciary, prioritizing their client's best interest rather than simply finding suitable investments. For commission accounts, the Fiduciary rule will be even more onerous. Advisors with commission accounts will have be required to keep records of the rationale for each trade and provide clients with a disclosure agreement when a potential conflict of interest arises. Without the required detailed documentation, an advisor will subject themselves and their firms to the threat of class-action lawsuits from investors who believe that their advisor has not acted in their best interest.

In anticipation of the rule, many financial advisors are transitioning commission accounts to wrap fee SMA's where the record retention requirements on advisors are much less burdensome.

AHB's SMA solution:

Our Custom Balanced Strategy has been chosen by many financial advisors for their clients' retirement accounts to accommodate the changes required by the Fiduciary Rule. For more than 35 years, AHB has managed SMA's with a customized approach uniquely tailored to each client's needs. With greater than $1.7 billion in assets under management, we work with Financial Advisors to create customized solutions with equity, fixed income and balanced client portfolios of $250,000 to greater than $100 million.

Custom Balanced Strategy:

· Balanced Portfolios can have <u>any</u> allocation between equities and bonds and may be invested in either taxable bonds or municipal bonds or any combination of both.

· Equities may exclude individual companies or industries and/or have focus on higher dividend payouts.

· Taxable bond portfolios can include any combination of U.S. Treasuries, Government Agencies and/or Investment-Grade Corporates.

· Municipal bonds may be state-specific, national or any combination.

· Portfolio can be tailored to maturity, either shorter/longer than intermediate term and/or customized by bond ratings as long as within the Investment-Grade universe.

Change requires careful planning. At AHB, we work with Financial Advisors and their clients to help transition from an existing strategy. The timing and pace of an account transition can be a critical factor in limiting taxable gains or managing market price volatility. We will not liquidate all existing positions on day one and reinvest proceeds into an AHB strategy but instead we will work with you and your clients to transition their portfolios to meet each client's objectives and tax sensitivity.

At, Abner Herrman & Brock we focus on uncovering attractive risk/reward investments for our clients, and put credit research at the forefront of our decisions. Understanding each security in a portfolio is integral to our philosophy.