

Testimony of Dan Danford, CFP®  
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On Behalf Of  
Family Investment Center

“Retirement Security Rule: Definition of an Investment Advice Fiduciary  
and Associated Prohibited Transaction Exemption Amendments”

United States Department of Labor  
Employee Benefits Security Administration

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## **1. Introduction**

Good morning. My name is Dan Danford. I am the Founder, CEO and an Advisor at Family Investment Center. I am testifying today on behalf of my firm and myself in support of the Department’s adoption of the Proposed Rule.

Family Investment Center is registered with the Securities and Exchange Commission as a “registered investment adviser” -- a “RIA.” We are a fee-only RIA firm serving mostly blue collar and middle-income clients from the Greater Kansas City region though our offices in St. Joseph, Missouri and Lenexa, Kansas.

In addition, I hold the CERTIFIED FINANCIAL PLANNER™ certification from the Certified Financial Planner Board of Standards. I am also a proud member of the National Association of Personal Financial Advisors -- NAPFA -- where I serve as Chair of the NAPFA Public Policy Committee. Through NAPFA I also hold the “NAPFA-Registered Financial Advisor” designation.

I started Family Investment Center after spending almost 15 years in the trust business. Since 1984, for almost 40 years, I have always served as a professional fiduciary. I want to share with you our views on the Proposed Rule and the important protections it would provide for retirement savers, not only in the Kansas City region, but across America.

## **2. Our Business Model**

Family Investment Center provides financial planning services that cover virtually every financial situation a client or family may face. This includes retirement planning, estate planning, tax planning, insurance review, saving and investment strategies, et cetera. As a financial planner, we may charge fees on an annual basis, an hourly basis, or other period mutually agreed upon. An annual agreement allows us to provide our clients holistic, comprehensive financial planning, for a fixed fee, over the course of the year.

We also manage investment portfolios for individuals, families and organizations. As an investment advisor, we either manage accounts for a percentage of the assets under management, or we charge a flat retainer. Although our clients are free to use any broker, insurance agent or custodian they choose, we do not receive any compensation from sales commissions or transaction fees. We do not charge or receive any commissions for buying or selling securities for our clients.

We are not insurance-licensed, so we don't sell insurance products. We do, however, make referrals on insurance products and monitor the annuities in our clients' portfolios. We offer all our services on a fee-only basis. Our clients only choose the services they want and need - no selling!

### **3. Support for the Proposed Rule**

My colleagues and clients know I'm a plain-spoken person, so I will "cut to the chase." There are three main reasons why my firm and I support the Proposed Rule and believe that its adoption would promote retirement savers' trust and confidence in the financial professionals they choose.

#### **Regulatory Loopholes**

First, the Proposal Rule would close several big regulatory loopholes that exist under the current rule and that harm retirement savers. It would cover rollover recommendations to ensure that retirement savers receive strong protections when they are most vulnerable to receiving conflicted advice. Financial professionals often have strong incentives to recommend rollovers because each one can result in a "big pay day" for them.

Second, the Proposed Rule would cover advice to employers who sponsor 401(k) plans to ensure that the advice employees receive about 401(k) plan investment options is not tainted by conflicts of interest. A one-time recommendation to a 401(k) plan sponsor may include investments that have high costs and low performance, which can erode employees' hard-earned savings and investment returns. This could cause a retirement saver to lose tens of thousands, if not hundreds of thousands, of dollars over time.

Third, the Proposed Rule would apply to all retirement advice and to all classes of retirement investments including securities, non-securities, many insurance products, and a wide range of other investments not covered by the current rule. We believe that closing each of these big loopholes is a major step in the right direction to protect retirement savers hard-earned savings.

#### **ERISA Fiduciary Definition and CFP Standards**

In my firm, we believe that any person who holds themselves out to the public -- to everyday Americans -- as a professional who gives financial advice, investment advice, or retirement advice, should be held to a clear, strong fiduciary standard like that under the federal Investment Advisors Act and under ERISA. Practically speaking, that means the financial professional must at all times act solely in the client's best interest and must take clear steps to mitigate and to eliminate actual or potential conflicts of interest.

Most people -- because our nation does a poor job teaching financial literacy -- simply don't understand the financial alternatives available to them. They need the help of a financial professional in whom they can have trust and confidence. A robust fiduciary standard promotes trust and confidence. So how does my firm and our NAPFA-Registered Advisors operate as fiduciaries and earn the trust and confidence of our clients?

As I mentioned earlier, at Family Investment Center we are businesspeople who are financial planners, CFP professionals, and NAPFA members. We strongly support organizations that work to promote the financial planning profession. We believe that through the work of NAPFA, CFP Board and others, financial planning will one day be viewed by the public as a separate, distinct profession, the same way that the public views doctors and lawyers today. Financial planners would operate under a robust fiduciary standard. The public would expect that.

As CFP professionals we have helped CFP Board develop the CFP Standards. The CFP Standards are a set of workable, practical guidelines that frame how we do business at Family Investment Center and how we deliver services to our clients under a high fiduciary standard. We believe that the Proposed Rule aligns with the CFP Standards.

For these reasons, we ask the Department to use the CFP Standards as a model to provide practical guidance to financial professionals on how to implement the ERISA fiduciary definition.

#### **4. Potential Increased Compliance Burdens on Smaller Retirement Advisors**

My firm is a small business that must comply with complex regulations that are often overlapping and confusing, and sometimes just don't make sense or improve protections for our clients. A large part of our time, money and effort is spent on legal and regulatory compliance. Our compliance obligations are burdensome, but we do it because we are fiduciaries.

We ask the Department to carefully assess the potential regulatory burdens and compliance costs that the Proposed Rule would impose on smaller firms, like ours, that do not have the large compliance departments and resources that bigger firms have. We ask that, wherever possible, the Department consider and adopt compliance guidelines that do not increase the already burdensome compliance obligations that firms like ours already face.

#### **5. Conclusion/Closing**

My colleagues at Family Investment Center and I thank the Department for this opportunity to testify in support of the Department's Proposed Rule. I am happy to take your questions.