

Wave of New 'T Shares' Puts Post-DOL Loads at 2.5%

By Grace Jennings-Edquist, *Ignites*, January 3, 2017 [subscription only]

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With the enforcement deadline for the **Department of Labor's** fiduciary rule due to take effect in April, several mutual fund houses have registered new T shares, most of which have one thing in common: a maximum sales charge of 2.50%.

The emergence of this share class, with its level commission rate, follows the DOL's so-called fiduciary rule made final last April, which puts forth a new, higher standard for the disclosure of commissions and other potential conflicts of interest advisors may have in selling funds to retirement investors. The rule, which has triggered a [sea change](#) in how distributors plan to handle product commissions in IRAs and other retirement accounts, also sparked calls by distributors for a level commission rate, industry analysts and executives state. (Please see related: "[Distributor Divide: Fiduciary Rule Splits Industry Over Commissions.](#)")

The new share class and uniform 2.50% load is "primarily a result of the [broker-]dealers' and the mutual fund companies' trying to come up with a front-end load share class that meets the needs of the new world order," says Alger executive VP and chief distribution officer James Tambone.

Major distributors such as Morgan Stanley Wealth Management, LPL Financial, Wells Fargo and RBC have expressed a preference for a 2.50% sales charge. "They're trying to levelize the sales structure," Tambone says.

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The emergence of such a uniform 2.50% commission is one of several ways the mutual fund industry has reacted to industry pressures, according to Niels Holch, founder of the Coalition of Mutual Fund Investors.

The combination of the DOL's fiduciary rule, the growth of advisor interest in low-commission ETFs and a broader trend toward passive investing is "putting pressure on the industry to lower their costs," Holch says.

He adds that 2.50% commissions may be attractive to investors: "That's half of what the typical commission charge is," he says. "So that's a significant drop."