

# MORRIS FINANCIAL CONCEPTS, INC.

---

Dear Clients,

For those of you who follow the daily actions of our legislative bodies in Washington, you will know that on Friday, December 11<sup>th</sup>, the House of Representatives passed H.R. 4173, commonly known as “Wall Street Reform and Consumer Protection Act of 2009.” Many of you, however, probably just noted the item on the nightly news, and are looking to us to interpret what, if any, impact it will have on our business and relationship with you, our clients.

H.R 4173, as written, is sweeping legislation that could potentially impact vast sectors of the financial industry. Although the Senate will have to pass a version of the bill, and compromise with the House language, we are beginning to see a general outline of what the final legislation will look like. We expect that this bill will pass in some form in the Senate, and be signed into law by President Obama in 2010. The areas that we are watching most closely that impact our business and our relationship with our clients are summarized below.

- *The bill establishes a “harmonized” fiduciary standard of care for broker-dealers and investment advisers when either provides personalized investment advice about securities to prospects or clients. The new fiduciary standard would, if ultimately adopted by the Senate and signed into law by the President, apply to those who are registered representatives, investment adviser representatives (IARs), and/or are their own Registered Investment Adviser (RIA).*

As a Registered Investment Advisory (RIA) firm, we have always embraced the Fiduciary Standard. This means we must act solely in the best interest of our clients, even if that interest is in conflict with our financial interest. While we applaud the effort to make all financial advisors put a client’s best interest first, we were displeased to see the following exemptions included in the language that water down the fiduciary standard.

*The bill allows exceptions that state:*

- 1. broker-dealers and registered representatives are not in violation of the fiduciary standard simply because they are paid a commission*
- 2. broker-dealers and registered representatives are not in violation of the fiduciary standard simply because they only offer a limited number of products made available through their broker-dealer;*
- 3. the standard only applies when a registered representative or adviser provides personalized investment advice “about securities.”*

Morris Financial Concepts has always embraced a rigorous Fiduciary Standard. Putting our client’s best interest first isn’t a legal burden on us; it is a logical extension of the relationship we build with each client. We will continue to adhere to the fiduciary standard without exception.

- *An effort to designate “financial planning” as a recognized profession subject to additional regulations by a new Financial Planning Oversight Board was defeated.*

We were disappointed this amendment was not included in the bill. The term “financial planner” is currently unregulated, and every one from an unregistered insurance agent to a stock broker can claim to be a “financial planner.” We would like to see the term reserved for those who are truly engaged in the holistic practice of financial planning, and have been deemed competent to do so by a governing body.

# MORRIS FINANCIAL CONCEPTS, INC.

---

- *Two additional provisions included in the bill would protect consumers:*
  1. *The bill would allow the SEC to issue rules to prohibit or restrict any “compensation schemes that are deemed contrary to the public interest”*
  2. *The bill directs the SEC to issue a rule that would require broker-dealers and their registered representatives, and investment advisers to act in the best interest of a client “without regard to financial or other interest of the broker, dealer, or investment adviser providing the advice*

While Morris Financial Concepts is not a registered representative of any broker-dealer, and we do not accept commissions under any circumstance, we were pleased to see these provisions included to protect the interest of consumers in general.

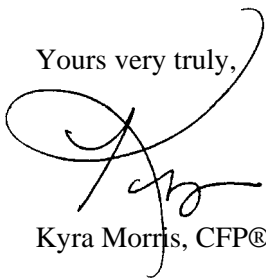
- *An amendment to the bill that would have given FINRA (Financial Industry Regulatory Authority) control over the investment advisory business of a registered representative was defeated.*

Morris Financial Concepts would not have been directly impacted by this rule, but we were pleased to see it defeated. FINRA has for many years been the self-regulatory body for brokers and dealers, but has no experience or expertise in the regulation or supervision of Financial Planners.

Although we believe that the restructuring and re-regulation of the financial sector will be very significant in the years to come, we do not anticipate major changes in our business model. Having held ourselves to the highest standard possible, we have been complying with much of the proposed regulation since our founding. As Financial Planner’s held to a Fiduciary Standard, we occupy a position of special trust and confidence when working with our clients. As such, we are required to act with undivided loyalty to our clients. Nothing in the proposed regulation would change the foundation of trust on which we build all our relationships.

Please contact us if you have questions!

Yours very truly,



Kyra Morris, CFP®, EA