

# Protection for Nest Eggs Upsets Some Brokers

INVESTING  
TARA SIEGEL BERNARD

New victims file into Joseph Peiffer's law offices each month.

There was the 51-year-old woman who who was told to invest her retirement money into nontradable real estate securities, he said. He has worked with retirees who were advised to put their I.R.A. savings into pricey variable annuities or other illiquid investments, when other options would have been better.

"It is really on the broker to do the right thing, because the typical investor doesn't know enough to know if the broker and his firm have the investor's interest at heart," said Mr. Peiffer, a consumer lawyer in New Orleans.

Many brokers already do the right thing for their customers. But Mr. Peiffer said a new rule by the Labor Department would help protect investors from those who don't. The proposal would require financial professionals to put customers' interests ahead of their own when providing investment advice on retirement accounts.

"It should prevent the worst abuses that I have seen and, even

if that means less cases, that'd be great as far as I'm concerned," he said. "I've seen too many proud 65-year-old men break down in my office because they have to move in with their children."

Currently, brokers only have to recommend suitable investments, a requirement that permits them to recommend a more expensive fund that pays a higher commission when a cheaper fund would have been the better choice.

But some stakeholders are trying to slow the rule-making process, while others are trying to stop it with legislation. "The people who are rattling the sabers the loudest tend to get the most attention," said Thomas E. Perez, the secretary of labor. "But we have heard more frequently from industry stakeholders who understand and agree this is the wave of the future — an enforceable best-interest commitment."

Here's how the rule could change things: Financial professionals working with retirement accounts would need to act in their customers' best interest, and they would not be allowed to accept compensation or payments that create a conflict unless they qualify for an exemption that ensures the cus-



T.J. KIRKPATRICK FOR THE NEW YORK TIMES

**"The people who are rattling the sabers the loudest tend to get the most attention."**

**THOMAS PEREZ**  
*secretary of labor*

tomers is protected. Brokers would be allowed to charge commissions and engage in a practice known as revenue sharing, where a mutual fund company may share a slice of its revenue with the brokerage firm selling the fund.

But to accept that kind of compensation, brokers and others would be

required to enter a contract with clients stating that they are putting the customer's interests ahead of their own. They must also disclose any conflicts.

Brokerage and insurance industry players have many issues with the so-called best-interest contract. The Securities Industry and Financial Markets Association and several other trade groups, for instance, have complained that the rule is simply "unworkable." More regulations will unleash more litigation, the groups say.

Receiving conflicted advice can cost investors tens of thousands of dollars, if not more, over the course of their careers and retirement. It shaves about 1 percentage point a year from investors' returns, or about \$17 billion in total, according to Labor Department calculations.

For retirees like Deborah DePasquale, 64, the rules can't come fast enough. After working with a broker for four years, she discovered that she and her spouse were being charged what they said were exorbitant commissions, among other abusive practices.

"I should be able to trust them to act in my best interest — and not against me," she said.

**1 Avoiding Conflicts**  
Financial professionals working with retirement accounts would need to act in their customers' best interest, and they would not be allowed to accept compensation or payments that create a conflict unless they qualify for an exemption that ensures the customer is protected.

**2 Commissions Permitted**  
Brokers would still be allowed to charge commissions and engage in a practice known as revenue sharing, where, for instance, a mutual fund company may share a slice of its revenue with the brokerage firm selling the fund.

**3 Clients Come First**  
But to accept that kind of compensation, brokers and others would be required to enter a contract with clients stating that they are putting the customer's interests ahead of their own. They must also disclose any conflicts, try to mitigate them and maintain a website detailing how they are paid. They must also charge "reasonable" compensation and detail investors' total costs in dollars.

# House Insurance And Wildfire Risks

YOUR MONEY  
ANN CARRNS

The worst wildfire season in years is forcing many Californians from their homes and has destroyed hundreds of houses, cars and other property.

Amy Bach, executive director of United Policyholders, a nonprofit group that assists consumers with insurance issues, urges homeowners who live in areas at risk of wildfires to check their policies to ensure they have adequate coverage to rebuild their home if it is destroyed.

Divide your policy's limit by your home's square footage to get a rough estimate of the cost to rebuild. If the number is less than \$200 per square foot, you're probably underinsured. You should also ensure you have "code upgrade" coverage to cover the cost of bringing your new home up to the latest building standards.

"Think about, 'What would a contractor charge to rebuild from the ground up?'" Ms. Bach said.

Damage to your home from a wildfire is covered by a standard homeowner's insurance policy, as damage from any other sort of fire would be, said Janet Ruiz, a spokeswoman in California for the Insurance Information Institute. Repair and cleaning of smoke-damaged furniture — and water damage from firefighting efforts — are covered as well. The amount a policyholder receives depends on how much coverage was purchased and the deductible — the amount paid out of pocket, before the policy pays.

Standard policies cover "additional living expenses" that includes the cost of living away from home if there's a mandatory evacuation, or if the home is uninhabitable. Such costs include hotel bills, meals out and other expenses while the home is being rebuilt. Save receipts to document your expenses, Ms. Ruiz advised.

Coverage for additional living expenses varies by insurer, but policies often provide coverage for 20 percent of the total insurance on your house. You can usually purchase additional protection for an extra premium. The destruction of landscaping and plants around your home typically isn't covered, according to the National Fire Protection Association.

Ms. Ruiz recently learned first-

hand what it's like to have property threatened by a natural calamity. She and her husband were forced from their house in Hidden Valley Lake, Calif., near Middletown, by the Valley Fire, one of numerous wildfires that have devastated parts of California. Ms. Ruiz was driving home when she saw flames and had to turn around. Her husband was at the house and had to evacuate. "It was pretty scary for him."

The couple later learned that their house was spared.

## Q & A

**¶ Will I pay a higher homeowner insurance premium if my home is near a fire-prone area?**

Various factors go into your insurance premium, and living in a higher-risk area affects your rates, as does your home's proximity to firefighting resources, Ms. Ruiz notes. Rates have increased for some homeowners in California, as a prolonged drought has fueled fire risk.

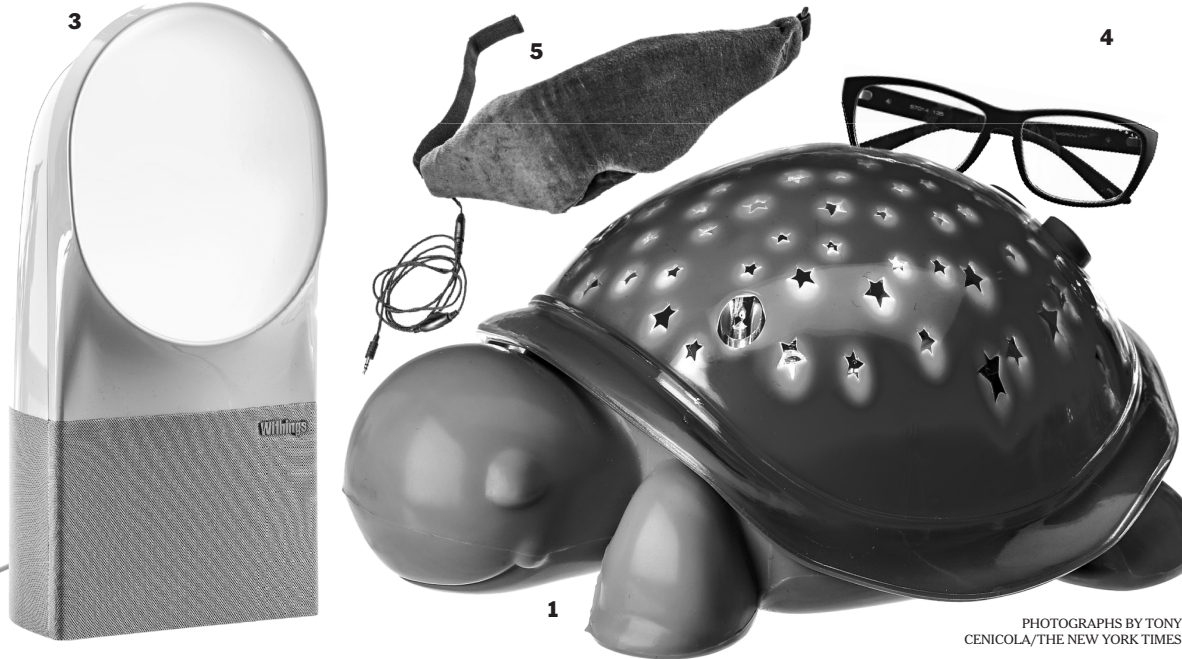
**¶ Are there discounts available if I take steps to protect my home from wildfire?**

Lorraine Carli, vice president of outreach and advocacy for the National Fire Protection Association, said some insurers may offer discounts for homes in communities that have taken steps to reduce wildfire damage — like clearing brush and vegetation to create a buffer around buildings. USAA, for instance, now offers insurance discounts for homes in California, Colorado and Texas that are in areas designated by the association as "Firewise."

You can learn more about the "Firewise" program on the N.F.P.A.'s website.

**¶ What if my car is damaged or destroyed in a fire?**

Damage to your car typically would be covered under the optional "comprehensive" portion of your automobile insurance policy, which generally covers damage that is not caused by a car accident.



PHOTOGRAPHS BY TONY CENICOLA/THE NEW YORK TIMES

# Some Help at Bedtime

TECHNOLOGY  
GREGORY SCHMIDT

Sleep is a necessary ingredient for a healthy life. But keeping yourself rested is often difficult. Whether you seek 40 winks or a full night's slumber, here are some noteworthy gadgets that may help you get more out of your sleep.

## 1. SuperMax the Turtle, \$22

Inspired by Max Wilford, an 8-year-old boy with brain cancer, SuperMax the Turtle is a smaller version of Cloud b's Twilight Turtle, a therapeutic night light for children.

SuperMax projects a starry night sky on the walls and ceiling of a room, helping to ease fear of the dark. And it automatically shuts off after 45 minutes.

SuperMax is made entirely of plastic, so it is easy to clean and sterilize for day cares or hospitals. A portion of SuperMax sales are donated to the MaxLove Project, a nonprofit organization that fights childhood cancer.

## 2. Jawbone Up3, \$180

Most sleep trackers can tell you if you've had a rough night, but you probably already know that when you get up in the morning. The Up3 from Jawbone goes a step further by analyzing sleep, fitness, diet and environmental data via an app, using the information to make suggestions to improve your nightly habits.

For instance, the app's Smart Coach feature might suggest adjusting the light or temperature in the room.

(The Up3 that I tested recommended that I stop drinking caffeinated beverages in the evening — not particularly novel advice, but a good reminder.)

The tracker has a seven-day battery life, is splash-proof and now comes in four new colors: ruby, indigo, sand and teal.

## 3. DreamScience, \$100

Oregon Scientific describes the DreamScience as a "brainwave-oriented sleep companion" because

the device is supposed to cue specific brainwaves through sound to help induce sleep or rouse a sleeper. The DreamScience has 20 programmable ambient sounds and six mood lights; some of the sounds are infused with synthesized melodies akin to a Tangerine Dream recording.

For sleep, the rhythm and volume of the playback gradually reduce, which Oregon Scientific says calms the mind and body. The DreamScience's analog buttons seem outdated, but the device offers a wide variety of options for getting to sleep and waking up.

The DreamScience comes with an AC adapter or runs on two AA batteries, making it convenient for travel.

## 4. Micron, \$70

Studies show that the artificial light emitted from electronic screens can inhibit the brain's ability to fall asleep. For that reason, sleep experts recommend that devices should be turned off before bedtime. But for those who want to check their email one last time before slumber, the amber-tinted eyewear from Gunnar helps reduce eye strain and blocks the blue light from mobile devices.

Gunnar has several styles, divided into two categories: office, which has a more traditional look, and gaming, which is thinner to fit under headphones. Gunnar's latest style, called Micron, has a thick, black frame and fits comfortably and securely. Prescription lenses are available.

## 5. 1 Voice Sleep Headphones, \$49

Sleep aids are not much use if they annoy your bedmate. For those who seek a less-distracting solution, consider the 1 Voice Sleep Headphones.

The gadget is actually an eye mask made of memory foam covered with plush soft velvet; over-ear headphones are embedded inside.

The mask covers a good portion of the face, enveloping the eyes in darkness and the ears in sound. The memory foam is thick enough that you won't notice the headphones if you sleep on your side.

The mask includes an audio cable with a volume control knob, so you don't have to fumble for your mobile device in the dark.

# Learning From Others' Mistakes

SKETCH GUY  
CARL RICHARDS

I love climbing in the mountains and try to do it often. Four hours north of my home sits one of my favorite places to climb, the Teton Range. It's a beautiful area, one of the most striking mountain ranges in the continental United States.

My favorite peak is the Grand Teton, and I try to climb it once or twice a year. This summer, I noticed something about my preclimbing routine. Before I go, I read recent climbing accident reports, especially reports in the Tetons. It's even better if they're on the same route I plan to climb.

I shared my habit with friends, and they all wondered why I would want to review accident reports.

"That's weird," they said, "Why would you do that before you go?" Wasn't I tempting fate?

When I started reading the reports, I judged climbers for making "stupid" mistakes. But over time, I started reading them to understand. This simple switch in perspective has helped me avoid specific mistakes on multiple climbs. As a result, these reports have become invaluable.

Some climbing accidents involve random risk, things we might refer to as irreducible risk. There's always a certain amount of risk, even after you have thought of everything else. It's just part of living, and climbing comes with varying levels of this risk.

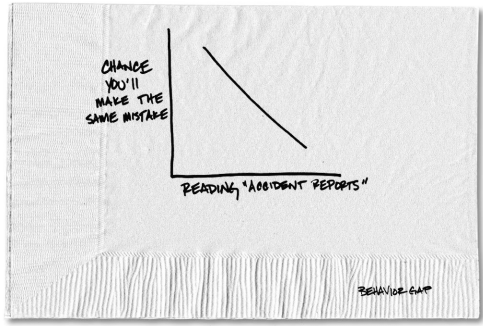
But a whole bunch of accident reports include stories about people who, in hindsight, could have avoided

ed their mistakes. Reading these reports helps me identify things I might otherwise have done simply because I didn't know better.

On this last trip, I was bringing my daughter with me, so I felt a heightened awareness about risk. One report indicated we shouldn't descend via a particular gully even though it looked quicker on the map. During the winter, it's full of snow and a faster path down the mountain. But in summer, it's wet and dangerous because of a waterfall that forms.

The mistake was understandable. One of the climbers in the report took this route during winter. To the best of his knowledge, there was no reason his group couldn't descend via the gully in summer, too. Because of this report, I avoided making the same mistake.

Imagine if I had been climbing



CARL RICHARDS

with someone who had also made a similar winter descent. Without that report, I wouldn't know to avoid the gully in summer.

I will continue to make mistakes, both in climbing and in life. Other people will continue to make mistakes, too. Luckily, there are plenty of "accident reports" we can read to learn from those mistakes.

I think about this opportunity often when I hear people say with com-

plete confidence that they would never be so stupid as to run up a lot of credit card debt. They would never be so stupid as to take out an interest-only mortgage. They would never be so stupid as to trust the guy guaranteeing double-digit returns — no matter what the markets have done historically. We forget that even the smartest people make mistakes.

The really smart people, however, understand this reality and seek out their own accident reports to help them avoid future mistakes. Sometimes, it means reviewing our past behavior to see why we did what we did and how to avoid future mistakes. Whatever the process, it will require humility. That seems less weird, and more wise, than sticking with the story that we are too smart ever to make a mistake.