The Committee for the Fiduciary Standard

The Committee for the Fiduciary Standard Applauds Progress As DOL Process Moves Forward on Rules for Retirement Advice

Looks Forward to Commenting on Proposed DOL Rules

New York -- April 14, 2015 --The Committee for the Fiduciary Standard commends the release of a Department of Labor proposal intended to eliminate conflicts of interest that harm retirement investors. The proposal was released despite efforts by large banks, broker-dealers and insurance companies, their lobbyists and a group of lawmakers to derail the rulemaking process,.

The release of the proposed rules is a major step toward a more secure, dignified retirement for the millions of Americans who save and invest for retirement. The Committee now looks forward to studying and commenting on the proposed rules themselves, during the public comment period.

"All those who have the privilege of advising retirement investors should do so as a fiduciary, under ERISA, in the sole interest of the investor. Families need access to trusted professional advice to help manage their hard-earned retirement nest egg, before and after retirement. Advisers who are fiduciaries, such as Registered Investment Advisers, already provide advice to retirement plans and retirement investors that is in the sole interest of the investor. And they have been providing such fiduciary advice for decades," said Kathleen M. McBride, Chair of The Committee for the Fiduciary Standard.

"We hope that the DOL's proposal will serve retirement investors by ensuring that advice they receive is provided by a fiduciary. Fiduciary advice is essential to help the retirement investor attain their long-term goals in 401(k) or IRA accounts. It's particularly important when many investors face a critical decision if they leave a company or retire, and consider a rollover from a 401(k)-type account to an IRA," McBride added. "For many Americans, the quality of this advice is not just the difference between lean retirement years and more luxurious ones – but the difference between whether they will be able to retire, or not."

The Committee's five core principles of the fiduciary standard are:

- Put the client's best interests first;
- Act with prudence, that is, with the skill, care, diligence and good judgment of a professional;
- Do not mislead clients — provide conspicuous, full and fair disclosure of all important facts;
- Avoid conflicts of interest;
- Fully disclose and fairly manage, in the client's favor, unavoidable conflicts.

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Background

The President of the United States asked the Secretary of Labor to update the basic rules of the road for providing investment advice to retirement investors – rules that have not been updated in almost forty years. The White House noted that excessive fees cost investors $17 billion annually and shave 25% off of their nest eggs – equal to several years of retirement income – by the time they reach retirement.

Americans have $3.1 trillion in traditional pensions, $5.3 trillion invested in 401(k)-type plans and $7.2 trillion in IRAs.

Over the past several decades, the share of Americans who have traditional pensions – with investment decisions made by professionals, and a steady monthly payout at retirement – has fallen sharply. Today, Americans are largely responsible for making their own choices about how much to save, and how to invest their retirement savings.

However, under the outdated rules, many retirement savers are not working with a fiduciary, so they are not receiving the objective, fiduciary advice that they need and expect. Current rules allow some types of financial professionals in banks, brokerage, and insurance companies to skip fiduciary requirements and put their own sales quotas and bottom line ahead of the retirement investor's interests.

Registered Investment Advisers already provide fiduciary advice to retirement investors and have done so for decades. Investors can print out a set of questions, the Fiduciary Oath, to ask a prospective adviser. If an adviser will not sign the Fiduciary Oath, perhaps the investor should seek an adviser who will.
http://www.thefiduciarystandard.org/fiduciary-oath/

About The Committee

The Committee was formed in June 2009 by an all-volunteer group of investment professionals and fiduciary experts, just as policymakers and industry leaders were reviewing the repercussions of the financial crisis, to advocate that all investment and financial advice be rendered as fiduciary advice and meet the requirements of the five core fiduciary principles. The Committee's goal is to advocate for the authentic fiduciary standard. The Committee seeks to help inform and nurture a public discussion on the fiduciary standard. Its objective is to ensure that any financial reform regarding the fiduciary standard, 1) meets the requirements of the authentic fiduciary standard, as presently established in the Investment Advisers Act of 1940, or ERISA, and 2) covers all professionals who provide investment and financial advice or who hold themselves out as providing financial or investment advice, without exceptions and without exemptions.
www.TheFiduciaryStandard.org

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