Special Interests Lobby Proposes Rules in 'Best Interest' – of Banks, Brokers and Insurers, Not Retirement Investors

Instead of fiduciary principles that put investor's best interests first, special interests lobby to continue to place their own interests before America's Retirement Savers

New York – June 5, 2015 – In an effort to derail a proposal from the Department of Labor (DOL) and the White House intended to eliminate conflicts of interest that cause devastating harm to retirement investors, special interests of banks, broker-dealers, and insurance companies are lobbying for alternative rules that would continue harming investors via high fees and inappropriate advice.

High commissions and back-door payments would continue to be harvested from the savings of hard-working Americans investing for retirement, flowing to banks, broker-dealers and insurance companies under the self-serving SIFMA, FINRA proposal.

The Securities Industry and Financial Markets Association (SIFMA) proposes that banks, brokers and insurers continue the status quo, and continue harvesting America's retirement investors' savings. It is trying to confuse investors – and lawmakers – by saying it, too, wants a "best interest" standard, but fails to actually place the investor's interest first. What they are doing is misleading. It is a sham proposal, nothing like a true, fiduciary standard that places the investor's best interests squarely in front of the interests of the firm, broker and insurance representatives.

"We have seen the harm that comes from inappropriate advice and high commissions and fees that impair the ability of many Americans to retire with dignity and financial security," said Kathleen M. McBride, Chair of The Committee for the Fiduciary Standard. "Those who have the privilege of serving retirement investors must do so as fiduciary advisers. As a nation, we ought to be encouraging retirement security and the best outcomes for hard-working retirement investors, not allowing broker-dealers and insurance companies to systematically fleece them."

While many retirement investors do receive advice that is in their best interest from registered investment advisers – who already serve as fiduciaries – too often, Americans *think* they are receiving advice in their best interest, when that 'advice' is really from a salesperson at a bank, brokerage firm or insurance company, lining their own pockets, and their firm's, with retirement investors hard earned retirement savings.

"We believe that there is incredibly strong academic evidence that suggests that high-fee products result in lower returns for investors, compared to low-fee products of substantially similar composition and risk exposures," said Ron Rhoades, Director, Financial Planning Program, Western Kentucky University.

The Department of Labor (DOL) has legal authority over rules that apply to anyone providing advice or services to retirement plans, plan participants, beneficiaries and IRA accounts. The DOL proposal closes many loopholes in retirement rules that date back to 1975. The DOL proposal speaks of "best interest" in fiduciary terms – duties of loyalty and due care to the retirement investor:

> "Best interest is defined to mean that the Adviser and Financial Institution act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person would exercise based on the investment objectives, risk tolerance, financial circumstances, and the needs of the Retirement Investor, when providing investment advice to them. Further, under the best interest standard, the Adviser and Financial Institution *must act without regard to the financial or other interests of the Adviser, Financial Institution or their Affiliates* or any other party. Under this standard, the Adviser and Financial Institution *must put the interests of the Retirement Investor ahead of the financial interests of the Adviser, Financial Institution or their Affiliates*, Related Entities or any other party."

The DOL rulemaking should move forward, with comments, hearings and rulemaking that is solely in the best interest of America's retirement investors.

Investors who want to find a fiduciary now, can look for a Registered Investment Adviser (RIA) firm. RIAs already provide fiduciary advice to all of their clients, including retirement investors, and have done so for decades. Investors can print out a set of questions, the Fiduciary Oath, to ask a prospective (or current) 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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