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

Instead of fiduciary principles that place investor's best interests first, special interests lobby Courts to keep their own interests ahead of America's Retirement Savers

New York – June 3, 2016 – In an effort to kill the investor-friendly Fiduciary Rule announced in April by the Department of Labor (DOL), special interests of banks, broker-dealers, mutual funds and insurance companies have filed lawsuits intended to kill the rule. The harm to investors that DOL's Rule eliminates can cost retirement savers 50% of their nest egg.

"Investors left with 50% of their retirement nest egg cannot retire with dignity and financial security," said Kathleen M. McBride, Chair of The Committee for the Fiduciary Standard. "The DOL Fiduciary Rule is enormously beneficial to millions of Americans who work and sacrifice to save for their own retirement. 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."

The new DOL Fiduciary Rule requires advice to be from a fiduciary, in the best interest of retirement investors and retirement plans. Firms and fiduciary investment advisors who have the privilege of working in the best interest of retirement investors will earn reasonable compensation instead of unreasonably high compensation that is literally at the expense of the investor's nest egg.

Thousands of fiduciaries already serve retirement investors and plans. There are 11,400 Registered Investment Adviser (RIA) firms serving as fiduciaries to more than 30 million investors, across all types and sizes of accounts. RIAs manage or advise on $67 Trillion in assets and employ 750,000 individuals. <u>We know the fiduciary model works. It is workable, and it is profitable, it is sustainable and it is in the best interest of the investor.</u>

The DOL considered thousands of comments over more than six years, and incorporated many substantive suggestions into the rule. DOL held hundreds of meetings and calls with stakeholders, testified before Congress, and heard testimony from all who requested to testify.

Under the old retirement rules, brokers and insurance agents – *even though they call themselves advisors and their firms advertise they provide advice in the investor's best interest* – are able to escape fiduciary duty and sell high cost and even harmful securities to investors who thought they were getting bona fide advice in their best interest. The special interests' lawsuits are meant to keep this harmful status quo.

If the lawsuits prevail, 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, mutual funds and insurance companies under the self-serving lawsuits.

Even a delay in implementation of the DOL's Fiduciary Rule would cost investors billions of dollars a month in excess commissions, fees and sub-par investments. The Fiduciary Rule requires that recommendations to retirement investors be in their best interest.

Several broker-dealers that had opposed the rulemaking have already announced they are making the changes necessary to work within the new DOL Fiduciary Rule.

Why is The Department of Labor's Fiduciary Rule Necessary?

The DOL's Fiduciary Rule – long overdue – will go further to eliminate harmful conflicts of interest and provide enormous benefits to retirement investors than any legislation since ERISA or the Investment Advisers Act of 1940. It will benefit investors from all walks of life, no matter their level of wealth, or size of account. And, it will benefit the American economy.

Investor access to advice will increase, not decrease. Currently, investors who do not work with a fiduciary get a sales pitch – frequently for the products that pay the representative and their firm the most. <u>A sales pitch is not advice</u>. In fact, under the Securities Exchange Act of 1934, <u>brokers do not provide substantive advice</u>. In addition, many broker-dealer reps are discouraged from working with smaller investors. But when they do, they are currently <u>not required</u> to provide advice in the investor's best interest.

The Department of Labor achieved a remarkable balance in its Fiduciary Rule, increasing investor protections while imposing a reasonable level of regulatory oversight on financial advice providers.

The loopholes that DOL was tasked with closing permit the systematic overcharging of America's retirees' nest eggs, allowing companies to siphon off half of a retirement nest egg over the years. Just 2% in excess commissions or fees reduces retirees' nest eggs by at least 50%. As investors save during their working years, just 1% in excess fees strips out 28% of their nest egg.

The DOL Fiduciary Rule should be implemented without any delay or interference from those in the industry that put their own profits ahead of retirement savers' nest eggs.

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/

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About The Committee for the Fiduciary Standard
The Committee was formed in June 2009 by group of investment professionals and fiduciary experts who volunteer their time 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

The Committee for the Fiduciary Standard believes that investors have a right to know whether or not their advisor is acting in the investor's best interests. For those investors and firms that agree, the Committee has drafted a straightforward Fiduciary Oath declaring an advisor's commitment to adhere to a fiduciary ethic and, in so doing, be accountable for their advice to clients. We call on all advisors to provide a signed copy of this oath every time they enter into an advisory relationship with a client. Many fiduciaries already do this. Similarly, we recommend that investors insist their advisors sign the oath before entering into a financial relationship.

For more information about the Fiduciary Oath, please visit:
http://www.thefiduciarystandard.org/fiduciary-oath/

The Fiduciary Oath

PUTTING YOUR INTERESTS FIRST

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I believe in placing your best interests first. Therefore, I am proud to commit to the following five fiduciary principles:

I will always put your best interests first.

I will act with prudence; that is, with the skill, care, diligence, and good judgment of a professional.

I will not mislead you, and I will provide conspicuous, full and fair disclosure of all important facts.

I will avoid conflicts of interest.

I will fully disclose and fairly manage, in your favor, any unavoidable conflicts.

Advisor ____________________________

Firm Affiliation ____________________________

Date ____________________________

Created by the Committee for the Fiduciary Standard
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Fiduciary Oath

I will put my client's best interest first.

I will act with prudence; that is, with the skill, care, diligence and good judgment of a professional.

I will not mislead clients and I will provide conspicuous, full and fair disclosure of all important facts.

I will avoid conflicts of interest.

I will fully disclose and fairly manage, in my clients' favor, any unavoidable conflicts.

Advisor Signature	Date
Advisor Name	Firm Name