The Committee for the Fiduciary Standard

STATEMENT To CONGRESS

THE TRUTH About DOL's Fiduciary Rule:

More Advice & Lower Costs In The Best Interest of Investors
Larger Retirement Nest Eggs to Put To Work in the American Economy

Congress Should Encourage, Not Obstruct, Not Delay, And Not Kill DOL Fiduciary Rule

It's Time for Congress to acknowledge the truth about the DOL Fiduciary Rule: The Department of Labor's Fiduciary Rule – long overdue and already effective – goes further to eliminate conflicts of interest and provide enormous benefits to retirement investors than any regulation or legislation since ERISA or the Investment Advisers Act of 1940. <u>It will benefit all investors, no matter their level of wealth, size of account, or whether the advice they get is on retirement or non-retirement holdings. And, it will benefit the American economy.</u>

Three recent court rulings underscore the fact that it is in the public interest that the DOL Fiduciary Rule goes forward without delay. U.S. District Judge Daniel Crabtree opined: "Any injunction thus will produce a public harm that outweighs any harm that plaintiff may sustain from the rule change."

In fact, DOL's Fiduciary Rule will also benefit the financial services industry, as many firms already acknowledge. Many financial services firms have already put in place the fiduciary processes and compliance needed to work within the Fiduciary Rule. This benefits both firms and clients over the long term.

Firms with fiduciary processes in place can more effectively gather assets to advise or manage, serving in the investor's best interest, and thereby earning a reasonable fee – on more assets. This also leads to a more stable client base and revenue stream.

THE TRUTH About DOL's Fiduciary Rule: There Will Be More Advice: Objective, Genuine Advice In The Best Interest of Investors, At a Reasonable Cost.

The Department of Labor crafted a Rule that continues to allow commission-based sales compensation for firms that desire that, as long as recommendations or advice are in the best interest of the retirement investor, thereby striking a careful balance that should be palatable to all parties. Guided by more than six years of research, proposal and re-proposal, study and consideration of more than 300,000 comments, hearings, written testimony, hundreds of meetings with stakeholders and further study, **<u>the Fiduciary rule is strong and fair</u>**.

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

No delay, or any other obstruction is necessary.

The loopholes that opponents to the rule wish to preserve, permit the systematic overcharging of American 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 half.** As investors save during their working years, just 1% in excess fees strips out 28% of their nest egg, leaving retirees with less to put to work in the American economy during the retirement years, and more reliant on Social Security.

Lobbyists' attempts to confuse lawmakers – with the myth that investors will not have access to advice if broker-dealers, insurance companies, mutual fund companies and banks are required to provide advice in the investor's best interest – or that fiduciary advice will cost investors more – **are simply not true**.

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

Investors deserve and are demanding advice that is in their best interest, at a reasonable cost. In fact, because of the fiduciary discussion, investors are, for the first time, calling registered investment adviser (RIA) firms asking for a fiduciary to advise them.

The 30 million investors who work with fiduciary Registered Investment Advisers already receive advice in their best interest, at a reasonable cost, from the 11,500-plus RIA firms that serve investors as fiduciaries – in all types and sizes of accounts – not only in retirement accounts. RIAs employ 750,000 individuals, and manage $67 trillion, according to the Investment Adviser Association's 2015 Evolution Revolution report.

Non-fiduciary firms are already adopting the Fiduciary Rule because they want to compete in the retirement investment space. Compensation is coming out of investment products, reducing drag on performance and creating a race to the top rather than the other way round. It's an evolution that has already begun, with the DOL Fiduciary Rule speeding up the inevitable.

Costs Matter In Investor Outcomes

Investment products are already adapting to fiduciary regulations. Products are already being developed with more reasonable and transparent costs to investors. More and more "investor appropriate" fiduciary solutions will be developed. When costs to investors are controlled and reasonable, investors achieve better outcomes and that drives fiduciary firms' success.

DOL's Fiduciary Rule: Good For Americans Investing for Retirement, & The Economy

Retirement investors with twice as much in their nest egg have a more secure retirement. Saving for retirement is hard, and professional financial advice is valuable, as long as it's provided in the investor's best interest.

A Culture of Working in the Investor's Best Interest Matters

But without the regulatory requirement for fiduciary care, even if they are working with a well-meaning broker-dealer, insurance, mutual fund or bank representative – or a dually registered adviser/broker rep – **investors cannot be sure the advice they receive *is* in their best interest.**

Adopting a Fiduciary Culture and Process

Fiduciary training and a framework for fiduciary decision-making already exist and are available to any firm or investment professional who desires them. Many firms that are not yet working as fiduciaries are seeking fiduciary knowledge in preparation for the DOL Fiduciary Rule. In addition, many broker-dealers currently have corporate registered investment advisory operations, and compliance for fiduciary services is in place, making adoption of DOL fiduciary rules much more streamlined. Many firms have announced their conversion to DOL's Fiduciary Rule requirements – and they don't want to reverse that. They know that in the long run, it's good for firms to act in investors' best interests.

In Conclusion

The Department of Labor has spent more than 6 years crafting the Fiduciary Rule: DOL has proposed, gathered and evaluated comments and testimony. It withdrew its initial proposal and then, after considering years of comments, testimony and research, made the final Fiduciary Rule effective in 2016, after meeting with stakeholders and Congress, gathering more comments and testimony.

The DOL fiduciary Rule will lead to more actual advice; objective advice that is in the investor's best interest. This leads to retirement security.

Financial advisors that provide valuable assistance to retirement investors deserve to be paid for their professional services. All the DOL Fiduciary Rule seeks to do is to make sure that advice or recommendations are in the best interest of the investor, and that costs to the investor are reasonable. The financial advisor should provide his or her best advice to the investor, without considering whether one investment product pays the salesperson more than the other.

There is no reason for any delay or obstruction of the Fiduciary Rule. In fact, any delay likely means the Rule would be killed and your voting constituents would have to depend more on Social Security, or not retire at all.

Indeed, it is in the public interest for the DOL Fiduciary Rule to go forward, as scheduled.

For more information please contact:
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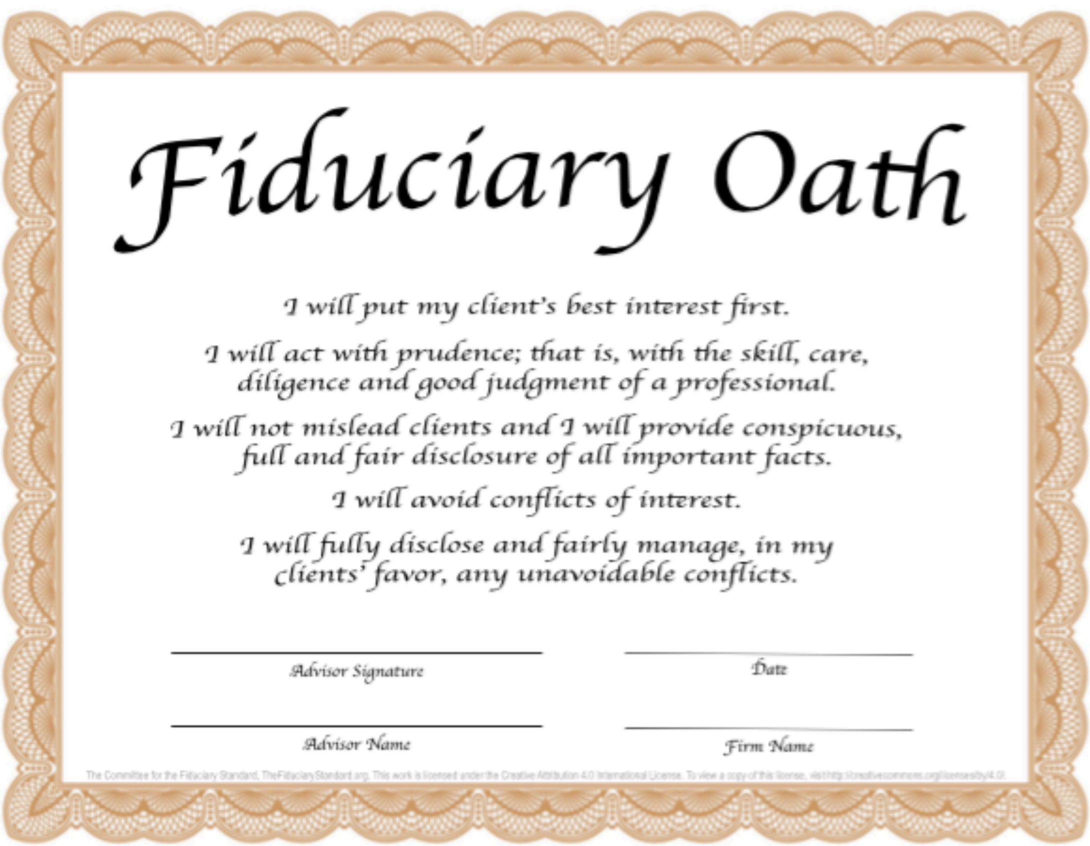
The Committee for the Fiduciary Standard

About The Committee
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 their best interests. The Committee has drafted a straightforward oath declaring an advisor's commitment to adhere to a fiduciary ethic and, in so doing, be accountable for advice to their 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. Similarly, we recommend that investors insist their advisors sign the oath before entering into a financial or investment advisory relationship.

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



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