EDITORIAL/COLUMNIST ROUNDUP: WHY CONGRESS SHOULD PROTECT OUR RETIREMENT SAVINGS, NOT CATER TO WALL STREET GREED

The Department of Labor (DoL) today released its final rulemaking to update and strengthen protections for retirement savers. The rule will protect hard-working Americans from losing money because of a conflict of interest when a broker or other financial professional provides retirement investment advice. The release of this final rule is a tremendous accomplishment in the fight to improve our nation's retirement income security. It is estimated that the "fiduciary rule," which is backed by leading groups representing consumers, older Americans, workers, and others, will prevent Wall Street from stripping $17 billion a year from retirement savings.

Here is what editorial boards, columnists, and others around the U.S. have said about this common-sense step by the DOL;

April 4, 2016
Your Retirement Adviser Will Think of You First
Bloomberg View, by Barry Ritholtz
Here's a question: Is the broker who advises you on your retirement account on your side?

The answer is at the heart of the debate over the proposed Department of Labor fiduciary rules. Applying a fiduciary standard means the broker must put his customer's interests ahead of his own. This is different from now, when nothing stops a broker from selling you what earns him the highest commissions, even if it may not be the greatest investment for your retirement plan. …At stake are $17 billion in annual fees that the financial industry overcharges for advice on retirement-saving plans, according to the president's Council of Economic Advisers. Compound those fees over the next 30 years, and those costs amount to trillions of dollars that are subtracted from investment returns, which in turn will be reflected in shortfalls for millions of future retirees. The White House's concerns are that these costs might very well fall onto the backs of taxpayers.

The fiduciary rules for financial advisers are simple and easy to follow. Best of all for investors, conflict-free advisers are much less expensive. As Bloomberg Gadfly's Nir Kaissar observed about the fiduciary standard, "What could be simpler or less objectionable?" The answer seems to depend upon which side of that $17 billion you are on: paying it or receiving it. That is a big deal, for as we learn from Economics 101, incentives matter. Without any regulatory restrictions, advisers all too often end up selling whatever earns them the most. The whole business is a gnarly mess of overpriced products and compromised advice, without a lot of transparency.

My colleague Tony Isola, a former teacher who has spent much of his career advising other educators about their finances, notes that he sees this every day: "Annuities in IRA accounts with high internal costs and onerously long surrender charges" as well as "recommendations for products such as proprietary mutual funds with hefty trailers and high expense ratios." His expectation is that the new fiduciary rules will prevent those products from finding their way into retirement accounts.

April 3, 2016
Keep our retirement savings safe
Albuquerque (NM) Journal, by Gene Varela, AARP State Director

Millions of Americans are counting on their 401(k) and retirement accounts for a secure financial future, and I'm counting on our members of Congress to oppose any effort that would prevent the Department of Labor from closing a loophole that allows unscrupulous financial planners to play with your hard-earned money for their benefit. The Department of Labor is finalizing a new rule that would close the loophole and hold all financial advisers accountable for giving you the best possible retirement advice that meets your needs. Why? Because it's a multi-billion-dollar problem for people who work hard and save for retirement.

More than $17 billion in retirement savings is lost yearly due to unscrupulous financial advisers, who push products that are good for their bottom line, not yours. The Department of Labor has proposed a new fiduciary rule for all financial professionals who provide retirement plan investment advice. They would be required to adhere to standards that are in the best interest of their clients. This conflict of interest loophole can result in typical savers losing about 25 percent of their hard-earned retirement savings over their lifetime.

March 31, 2016
Finally, John Bogle's dream of a fiduciary standard will come true
MarketWatch, by Mitch Tuchman

If anybody has the truly long view on retirement investing, it's Vanguard Group founder John Bogle. He has retired from his own firm but definitely is still in the fight, by his reckoning for well over a quarter century now trying to get retirement investment advisors to do what they say and be legally bound to follow through. That, in a nutshell, is the fiduciary standard. It's backing up what most people assume retirement advisors do for them with regulation to make it so. As Bogle told Morningstar last year, the idea is not complicated, though it clearly has ruffled feathers on Wall Street.

"Retirement-plan investors — and, ultimately, all investors — need to have some assurance that their broker is putting their interests first, rather than putting his own interests first. And that's what a fiduciary is and does," Bogle said. Now a fiduciary requirement, put forth by the U.S. Department of Labor, is about to become law. It's hard to overstate the magnitude of such a positive change for retirement investors.

March 30, 2016
About Those Hidden Fees Investors Pay
Bloomberg Gadfly, by Nir Kaissar
The Department of Labor is soon expected to issue its much-ballyhooed, much-anticipated, and, in some circles, much-loathed “fiduciary rule.” This rule will require brokers who work with retirement accounts to act as, well, fiduciaries -– in other words, to put their clients’ interests ahead of their own. What could be simpler or less objectionable? Yet brokers have fought the DOL’s fiduciary rule since it was first proposed last April. The rule is a small part of a larger sea change underway in financial services that will ultimately improve the quality and reduce the cost of investment advice, and brokers who are attempting to buck the trend will end up on the losing side of history.

According to the DOL, its fiduciary rule is primarily for the benefit of middle-class and working-class investors. Why those folks in particular? Their retirement accounts tend to be smaller and therefore well suited to mutual funds, and with just one mutual fund a modest retirement account can be transformed into a diversified portfolio of hundreds of stocks and/or bonds. There’s just one dirty little secret at work here: Some mutual fund companies pay brokers a fee for selling their mutual funds to investors. Brokers aren’t required to disclose these fees, so, surprise, surprise, they don’t. Investors are left with the impression that brokers are recommending the best funds, when in reality brokers are likely pushing funds that pay them a fee.

This isn’t just a harmless sleight of hand. The DOL estimates that these pay-to-play fees cost investors roughly 1 percent annually in forgone investment returns. This performance drag is a two-headed monster. For starters, the funds that pay these fees are generally more expensive than those that don’t. Someone has to pay for the fees to brokers and that someone, of course, is the investor. Part of the fee is an annual commission that is paid to the broker for as long as the investor owns the fund. So not only are brokers incented to recommend unnecessarily expensive funds to begin with, but they are then incented to keep investors in those funds for as long as possible so they can keep their fee stream flowing.

Brokers have been content to push back with old-fashioned fear mongering. The fiduciary rule, they argue, will leave retirement investors worse off because brokers will either: 1) stop providing retirement advice to middle-class and working-class investors, or 2) charge investors higher fees for retirement advice to compensate for the greater burden imposed by the rule. That's a false dilemma, my friends. There are already many financial companies that provide fiduciary retirement services with little or no investment minimums for a fraction of the cost of a high-priced, actively-managed mutual fund -- and more are coming to market all the time. They include discount brokerages, investor-friendly mutual fund companies such as Vanguard, and online financial advisers known as robo-advisers. That development alone should be a wake-up call for traditional brokerage firms. There is a new generation of financial companies that already lives up to the DOL’s proposed standard. Moreover, they all are eager to efficiently and effectively serve the investors who traditional brokerages appear to be so cavalierly gouging or waving away.

March 14, 2016

[The White House’s common-sense idea to protect retirement savings]

Washington Post Editorial

After nearly seven years of political and bureaucratic warfare, the Obama administration is about to unveil stricter rules governing brokers and others who help people invest their retirement savings. Specifically, the administration wants to impose a legally enforceable duty to act in the “best interest” of clients, similar to the fiduciary duty lawyers and other professionals already owe. The administration says the “fiduciary rule” is necessary for two reasons: First, in the modern era, Americans’ retirement funds reside heavily in individual tax-advantaged accounts such as 401(k)s and IRAs, the former accounting for $4.2 trillion and the latter $7.4 trillion in 2013. Yet federal regulations date from 1975, when corporate pensions predominated. Second, many financial advisers to IRA investors get paid commissions based on sales of certain products that may not be best for their clients, yet those compensation schemes are not always transparent.

It all seems commonsensical; a White House study suggests “conflicted advice,” allegedly particularly prevalent in the half-trillion-dollar-a-year 401(k) rollover business, costs consumers $17 billion in higher fees per year. We revert to common sense: If you’re in business to advise small investors, it should be as clear as possible that you work for them and not a third party behind the scenes. Yes, the fiduciary rule might shrink the business, but what remains could well enjoy greater legitimacy, in both reality and perception.

March 7, 2016

[The Weird Claim That the Obama Administration Is Coming After Personal Finance Gurus]

Money Box, by Helaine Olen

When we seek financial advice, surveys say that the majority of us believe the person we hire is bound to give the best, most wonderful guidance out there—something known as the fiduciary standard. This isn’t always true. Many financial advisers work to something called the suitability standard, a lower standard of care that allows the adviser to give less-than-optimal advice that will also boost his or her bottom line. It’s considered OK, as long as it’s not out-and-out malfeasant.

The White House believes this sort of conflict of interest results in the financial services sector earning up to $17 billion annually at the expense of the people it’s supposed to help. That’s why it’s changing the regulations, at least as far as retirement accounts go. The financial services industry is pushing back furiously against the proposed change. That includes [Dave] Ramsey, who runs a financial advisory network that works to the lower suitability standard—a service he talks up on his five-days-a-week radio program, which airs on more than 500 stations across the United States. Hence, Ramsey has been tweeting things like, “The Obama rule will kill the Middle Class and below ability to access personal advice.” This, as I’ve written in the past, is not true. What it will result in, according to the Center for Retirement Research at Boston College, is lower profits for companies that dole out financial advice.

February 22, 2016

How This One Obscure Political Battle Could Have a Big Impact on Your Retirement Savings

The Street, by Bobby Monks

The Department of Labor wants to impose both accountability and transparency on the industry that manages some $3 trillion in investor retirement funds. Despite the uproar, the proposed fiduciary rule change would establish two surprisingly humble requirements: (1. Brokers must act in the best interests of their clients. (2.All the fees collected by brokers must be disclosed.

You can be forgiven for thinking “your guy” at Raymond James or “your pal” at UBS was already doing that. The industry does its level best to convince the buying public that it puts our needs first. Check the Web sites. Wells Fargo wants to give you a financial adviser “dedicated to doing what’s right for you,” while RBC aims it will “put clients’ goals, aspirations and priorities first” and Bank of America’s Merrill Lynchsays “getting to know you is your financial advisor’s primary goal … to put your needs and priorities front and center.” Seductive language obscures some facts. For example, as things stand now if “your guy” at Merrill is a “financial adviser” or a “financial planner” or a “stock broker” or any of a number of titles that look impressive when embossed on heavy vellum business cards, that person is only required to put your IRA or 401(k) dollars into suitable investments.

Suitability sounds better than it is. It will probably keep you out of emerging-market debt traps but may well land you in high-fee instruments. The 90% of advisers who are not fiduciaries are entitled to put retirees in high-fee funds rather than into comparable lower fee funds. Why would they do that? Because, while the fund is suitable, the adviser shares in the fee. The higher the fee, the better for the adviser. On the other hand, a fiduciary (from the Latin fidere, to trust), is required to put the investors’ interest before his own.

So, first the Department of Labor wants anyone benefiting from your retirement investments to be working in your interests, that is, to be a fiduciary. The DOL also wants the firms to tell you — in plain English — how much you are paying, how often, and for what. Simply put, the new rule demands the firms tell you how much of your money becomes their money. The current fee structures are layered into a dense custard of impenetrable language and strategies.

December 7, 2015

It's Past Time to Hold Financial Advisers Accountable

Bloomberg op-ed, former SEC Chairman Arthur Levitt Jr.

The Labor Department is attempting to update the fiduciary standard, raising the bar for any advice given by brokers working with retirement investors. If instituted, financial advisers will have to place a client’s interests above their own or those of their firm. That doesn’t seem like too hard a standard to meet, but not all advisers deliver on it. And to this point, nothing in the law has made them do so.

A change is long overdue. The current proposal has already been studied at length, while the public and affected industries have had their chance to examine the rule, comment on it and suggest changes. Labor Department researchers estimate that the regulation would save more than $40 billion over 10 years in retirement savings.

November 19, 2015

[A New Threat to Your Retirement]

New York Times, Teresa Tritch

In April, the Labor Department proposed an important rule designed to protect Americans' retirement savings by requiring advisers to act in their clients' best interests — and not their own. As things stand now, brokers, insurance agents and other salespeople — who often call themselves "consultants" or "advisers" — are allowed to steer clients into high-priced products and strategies when comparable and cheaper ones are available. … The idea of imposing a "best interest" standard on retirement advisers should not be controversial. … Under the Labor Department's approach, billions of dollars a year that now flow to banks, brokerages and insurers would stay in savers' accounts. Under the approach of Mr. Neal, Mr. Roskam and company, the financial industry could continue to pocket those billions — minus whatever amount they donate to the campaigns of lawmakers who do their bidding. President Obama should commit now to veto any attempt to derail the best-interest rule. Getting fleeced should not be the price one has to pay for retirement advice.

November 16, 2015

[Wall Street Has a Unique Way of 'Protecting' Small Investors]

The Street, by Susan Antilla

What could be better for an investor of modest means than to wake up one morning with a bevy of new friends in high places on Wall Street and in Washington? Just such a miracle of paternalism has occurred, as financiers and politicians have joined forces to protect the American public from a sinister plan by the U.S. Department of Labor. Ignore the impending disaster for the low-income, low-balance retirement investor at your peril. This is about "life and death issues," said Georgia congressman David Scott at last week's annual meeting of Wall Street's leading lobbying group, the Securities Industry and Financial Markets Association, or Sifma. The DOL, as the embattled agency is known, is recklessly seeking to raise the standards required of stockbrokers who give advice about retirement savings, its critics say. Yes, I meant to say "raise" the standards, not "lower" them. I refer to these finance professionals as "stockbrokers" or "salespeople," by the way, because they aren't held to the same regulatory standards expected of real investment advisers. But they give themselves titles like "financial advisers" anyway, and cross their fingers that you don't know the difference. Earlier this year, a government study concluded that investors lose $17 billion a year as a result of the conflicted advice they're given about their retirement money. Wall Street has nonetheless made progress pushing the argument that the DOL's more demanding expectations of salespeople will hurt low- and middle-income investors. Critics of the rule argue with a straight face that securities firms won't be able to afford to do business with low-balance customers if they can't steer those people to high-fee products. So they'll just stop serving them, the threat goes.

Arthur Levitt, Jr., who was chairman of the Securities and Exchange Commission from 1993 to 2001, says the arguments that America's least wealthy investors stand to be cut off from Wall Street's wares are bogus. "Brokers are among the most resilient, resourceful business people in America," he said in an interview. The notion that the DOL's rule would motivate the industry to dump low-balance customers "is pure fantasy," he said. As for all that fiery Wall Street concern over the well-being of the little people, watch what Wall Street does, not what it says. Major brokerage firms including Sifma member Merrill Lynch already have moved small accounts -- those with less than $250,000, in Merrill's case -- to online and call center services, in lieu of providing access to dedicated brokers. So the little people were on Wall Street's second-class list long before the DOL was whipping up its most recent rule proposal. Today, they are props in the industry's fight to avoid higher standards.

October 28, 2015

Congress's Plan For Protecting Investors: Protecting Wall Street

Time, by Ian Salisbury

Here is what's happening: Many Americans assume that working with a financial adviser means they will receive unvarnished advice, the same way they would from lawyer. As it happens, many financial advisers that earn commissions rather than fees don't do this at all. They are essentially brokerage salesmen, free to peddle whatever investment products offer them the highest payouts, so long as they are suitable for customers based on factors like investors age and risk tolerance. For years, the Securities and Exchange Commission and the Department of Labor, which has jurisdiction over retirement plans, have taken turns trying to correct the problem by implementing a new, tougher set of rules, known as the "fiduciary standard," across the entire industry. But many on Wall Street are dead set against it. Those commissions are lucrative and some brokers that rely on them fear they could be forced out of business. Of course, as [Morningstar's John] Rekenthaler points out, big Wall Street firms understand they can't just come out and say they're worried about their bottom lines. So instead they argue the rule will make it hard for them to serve their customers. Presto: It's no longer the "Wall Street Profit Protection Act." It's "The Retail Investor Protection Act." … [D]on't be fooled. The bottom line is that many in Washington think the best way to serve you is to first serve Wall Street.

October 25, 2015

Wagner vs. Obama: Are investors being soaked?

St. Louis Post-Dispatch, by Jim Gallagher

The Labor Department rule would turn advisers — read stock, bond and insurance brokers — into "fiduciaries" when they give advice on retirement accounts. That means they must place their clients' interest above their own when advising people on 401(k)s, IRAs and the like. Many clients expect their advisers to do that anyway. But legally, most don't have to. … A fact about the investment advice business: Conflicts of interest are rife. Investments that are best for the client don't always bring the biggest payoffs for brokers or their bosses. This can put good advisers in an ethical pickle: They want to do right by their clients, but financial forces tempt them toward the dark side. For instance, a broker selling stock on commission makes money when you trade a lot, but that is rarely good strategy. A broker might make a 4 percent commission on putting you in load mutual funds. But there's often a 7 percent commission on choosing a deferred annuity or 10 percent on non-traded real estate investment trusts. Many of these conflicts, such as that annuity commission, are invisible to the client. Brokerages often sell bonds out of their own portfolio. So, the brokerage makes more profit if you pay a high price for the bond. Mutual fund companies often pay brokerages extra if they put a lot of clients' money in their funds. The system gives the broker an incentive to sell the funds that pay the brokerages. The money for these payouts comes out of the fund investor's hide. Some brokers are urged to beat the drums for their own company's branded mutual funds, because the brokerage makes money managing them. Some conflicts are visible if the client knows where to look.

For instance, funds sold by brokers usually have higher expenses than no-load funds that clients could buy on their own. But clients don't know where to look. They come to advisers because they don't understand investing. Under the law, most brokers aren't required to give clients their best advice. Their recommendations must only be "suitable." A broker can't put a 90-year-old life's savings into a couple of high-risk stocks. That's not suitable. But he can recommend a mutual fund that pays a fat commission, knowing that a cheaper choice would be best for the client. Along comes the Labor Department with a proposal to solve that. It would make brokers fiduciaries, and give them two ways to get paid when dealing with retirement accounts. They can charge investors a fee for advice and forsake the conflicts of interest. Or, they can keep the current commission model, with all the conflicts, but sign a contract with their clients promising to put the client first. Brokers would have to tell clients what they're actually paying — exposing those behind-the-scenes payouts. They'll have to set up websites showing how each investment product compensates the brokerage.

October 19, 2015

Supporting the Department of Labor's "Best Interest Rule" Is Good for All Business

Huffington Post, Leo Hindery, Jr., Co-chair of the Task Force on Jobs Creation and former CEO of AT&T Broadband.

[T}there's a decision industry leaders can make today that would send a signal that we're serious about rebuilding the public trust: supporting a Department of Labor initiative that would finally make doing what's right for retirement savers the law of the land. … Of course, not everyone who gives retirement investment advice is taking advantage of their clients, and many do act in their clients' best interests. But because the law does not require financial advisors to do so, far too many do not act fairly. … After their decades of hard work, Americans deserve to retire with dignity and security. The proposed Department of Labor Best Interest Rule will help them do just that if we can just get it over the finish line and beat back selfish opposition coming from within parts of the financial services industry.

October 2, 2015

A Fiduciary Critic, Representing Whose Interest?

BloombergView, Barry Ritholtz

A fiduciary is obligated to put the client's interest first. Period. It is higher duty of care owed to clients than the traditional broker "suitability standard." The change in standard [proposed by the Department of Labor] requires the adviser to put the client's interest ahead of even the adviser's own pecuniary interests. That is a huge change. It requires that all compensation-related retirement plan advisers must act as fiduciaries. The thinking behind the Labor rules is that retirement investment costs have slowly inched up, to the point where now they take a meaningful chunk out of people's nest eggs. There is a lot of money involved. How much? As an example, let's consider the lowly 12b-1 fee. It is a marketing fee paid to various agents to use their mutual funds. To grossly oversimplify this, think of it as a similar fee that food companies pay supermarkets for prime shelf space. Mutual fund companies pay brokers to carry these funds on their platforms. And that's just one small fee. The total of all fees involved likely exceeds $100 billion.

October 1, 2015

Why Wall Street Is Howling Over The Big New Reform Coming Down The Pike

Talking Points Memo, Tierney Sneed

The Obama administration is moving forward with a plan that could bring a sea change to how retirement advisors must treat their clients, while financial industry-allies in Congress engage in another round of push back. The new rules for retirement advisors that the President and consumer advocates are pushing address a conflict of interest the White House estimates costs retirement savers $17 billion annually. The problem? Contrary to what many investors believe, the advisors who direct them to retirement funds are not always required to act in their clients' best interests. People have incentives to push people in products that might not be the best for them, and when we're talking about long-term retirement savings even a small difference can make a big impact in the long-term retirement savings," Anne Tucker, a professor at Georgia State University College of Law, told TPM. Due to decades-old loopholes in the current law, retirement advisors can direct their clients towards investments that compensate the advisors but are not the best option for the investor. This higher standard of responsibility is known as a "fiduciary duty." "The way broker-dealers are often compensated is they get a percentage of retirement investments in vehicles in which their clients select, so they have incentives to place their clients or their customers in certain products that they get compensated for," Tucker said. "The idea is this conflicted advice costs individuals because they may be being encouraged to invest in vehicles that are higher fees, or may not produce the same long-term returns on their retirement investment." … The heavy pushback the Obama administration has received on the Hill reflects the kind if impact the regulations will have on the industry, as well as individual investors. John C. Bogle, the founder and former chairman of the The Vanguard Group, told attendees at a June speech, "The proposal of this simple 'putting investors first' standard is being opposed with a vengeance that I've rarely witnessed."

September 29, 2015

Is Your Financial Adviser Making Money Off Your Bad Investments?

New York Times op-ed, by Lily Batchelder and Jared Bernstein

Earlier this year the Obama administration proposed a "conflict of interest" rule, designed to ensure that when it comes to saving for retirement, financial advisers always put their clients' interests above their own — instead of, say, nudging their clients into investment products that pay the advisers more for their recommendation, but offer less return for the investors. The administration's proposal, to be implemented through the Department of Labor, says that advisers who receive side payments like this have to disclose them to clients, and also commit to an enforceable "fiduciary" standard — meaning they have to put their customers' best interest before their own profits. Not surprisingly, some financial services companies don't like this idea, and have been spending millions of dollars lobbying to block the rule. …True, we shouldn't assume that all advisers who make more from recommending one product over another are providing bad advice. But independent research has carefully compared the returns of retirement savers who receive conflicted advice versus other savers, and found that conflicted advice, on average, shaves about one percentage point per year off a saver's returns. This may not seem like a lot, but it adds up: Over 35 years, a one percentage point lower annual return can reduce your nest egg by more than 25 percent. The proposed rule would go a long way toward reversing the estimated $17 billion that families are losing each year as a result of conflicts of interest by reducing the prevalence of bad advice, allowing the many advisers who are already ignoring or refusing conflicted payments to compete on a level playing field and expand their business. Right now, these advisers providing quality guidance risk losing business to conflicted advisers who claim their services are cheaper or "no fee" when, in fact, they get their compensation from side payments from the companies whose investment products they recommend. Conflicted advisers are ultimately more expensive, both because they are getting higher fees that the consumer isn't seeing and because they are recommending products that have lower returns — even before fees — than equivalent investments. Most consumers aren't on the lookout for unscrupulous advisers. An astounding 75 percent believe, incorrectly, that all financial advisers already have to act in their best interest.

September 19, 2015

Financial loophole favors Wall Street over retirees

The Buffalo News op-ed, by Bill Armbruster, associate state director of AARP for Western New York

What if, years from now, you learn that you lost out on a quarter of your potential retirement savings because of a bum steer by a self-dealing financial adviser? Or if you run out of money in retirement and discover you could have had five more years of savings if you'd had sound advice? These aren't just hypotheticals. Millions of working Americans are now at risk because of a loophole in federal law that governs retirement plan advice. The loophole allows some on Wall Street to make higher profits by recommending investments that may be too risky or carry higher fees and deliver lower returns - for example, rolling over 401(k) savings into IRAs with higher expenses or investing IRAs in products that charge high fees, lock up money for years and provide no tax benefits beyond what the IRA already offers. Americans are losing out and Wall Street is literally making billions. The loophole needs to be closed. Most of us aren't financial experts, and we rely on investment professionals for guidance. We should be able to trust our financial advisers to put our interests first. … The bad news is some Wall Street special interests are lobbying Congress to kill this rule – and the House and Senate are where the battle may be decided. We need our representatives to stand firm and ensure a high standard that holds anyone who gives retirement savings advice genuinely accountable for helping everyday Americans choose the best investments for themselves, their families and their futures. We're counting on our congressional delegation to fight any opposition to closing the loophole so Americans' retirement years can truly be golden – and so we don't have to rely on Congress for higher funding of public assistance programs we might otherwise need down the road.

September 13, 2015

Financial advice should benefit the recipient

The Baltimore Sun, by Charles D. Ellis and Scott D. Puritz

Here's the problem: Savers — small and large — often have to rely on advisers to understand their options regarding investing their retirement savings. Outdated Labor Department rules have allowed brokers, insurance agents and others offering retirement investment advice to put their own interests ahead of their clients' best interests. Such investments generate handsome commissions for them but saddle unsuspecting clients with high fees and poor returns.

The end result of all that conflicted advice is that millions of Americans end up with smaller nest eggs for their golden years. They will run out of money sooner or be able to do less inretirement. Some unfortunate savers end up losing much, or even all, of their nest eggs when conflicted advice puts them in inappropriately risky investments with high fees. The good news is that the DOL's proposed rule change tackles the problem head on, requiring anyone giving retirement investment advice to act in the best interest of their clients and to comply with what's known as their fiduciary duty. It's common sense, but that hasn't stopped brokers and others in the financial industry from fighting hard against the rule to preserve the hefty fees they earn at the expense of their clients.

September 9, 2015

Enforce 'Conflict of Interest' Rule for Financial Advisers, Save Retirees | Commentary

Roll Call, Blaine Aikin, fi360 and Nancy LeaMond, AARP

Those trying to do the right thing by saving for retirement — and seeking professional help to do so — deserve investment advice in their best interest. … Today, we can take a major step toward closing the "retirement advice loophole" that exposes millions of American workers to conflicted advice. The Department of Labor has issued a proposed "conflict of interest" Employee Retirement Income Security Act rule to close the loophole. The rule would hold financial professionals who give investment advice to individual retirement plan investors to the highest standard and require them to put the interests of their clients first. … Surveys have shown that Americans — understandably — assume that all advisers are already required to act in their best interest under the "fiduciary" standard. But we know this is not the case and so do the opponents of this rule. Today, different types of financial advisers operate under different standards when providing investment advice. … Many retirement advisers readily accept fiduciary responsibility and are accountable to serve investors' best interests under the law. Others who could take advantage of the retirement loophole avoid conflicts of interest and do what is right by investors, regardless. But the "retirementadvice loophole" has created a system that encourages conflicts of interest leading to higher fees, unnecessary risks, and/or lower returns for investors in order to produce higher profits for financial service firms and their representatives.

August 18, 2015

DOL's fiduciary standard: Good for clients; workable for advisers

The Hill by Ray Ferrara

Earlier this year, the Department of Labor (DOL) re-proposed a rule that would require financial firms and advisers providing retirement advice to do something the vast majority of consumers already believe they are required to do: provide advice that is in the best interests of their clients. While many advisers strive to do the right thing even though they are not legally required to do so, incentives to sell products often conflict with best-interest advice to clients. The DOL's common sense proposal to require those who provide retirement advice to function under a fiduciary standard has unfortunately been met with strong opposition – primarily from financial industry groups. They say the rule is “unworkable.” I disagree. What is unworkable and should not continue is the status quo: a regulatory framework that allows for advice that is not in the best interest of clients and that erodes the retirement savings of millions of Americans. Opponents to the DOL’s fiduciary rule suggest that the rule will limit advisors’ and firms’ ability to serve middle-class retirement investors and will hurt small businesses. This is not consistent with my personal experience. As a Certified Financial Planner™ professional for more than 25 years, I have devoted my practice – a small business – to providing advice in the best interest of my clients, and have done so profitably. CFP® professionals adhere to a fiduciary standard when providing financial planning services, even those of us who receive commissions. I provide advice to retirement plans for small businesses and to individual clients with a variety of account sizes, and I also help small businesses reduce costs and increase performance of the retirement plans they offer to better meet the needs of their employees.

August 14, 2015
Retirement firms, protecting their conflicts of interest, take to the airwaves
LA Times, by Michael Hiltzik
…At one point, the news program took a break to run a heartrending vignette about a couple who had just dropped off their child at college. "How are we going to afford this?" the wife asked wryly, back in the car. "It's these new regulations they're pushing in Washington that worry me. They want to make it really hard to get advice from our financial advisor." "No more help from Anne?" the husband asked, flabbergasted. "We're gonna call our senators." By then, of course, I recognized this slice of life as an example of an old discredited genre, the "Harry-and-Louise" ad. That's a reference to the fictional couple who starred in a TV campaign launched by the health insurance industry against the Clinton administration's healthcare reform bill in the 1990s. …The elements are the same: Putatively middle-class couple discovers to their horror that Washington is plotting to interfere with their lifestyle, even though the policy they're grousing about would actually be a boon to ordinary folks like them. The new campaign is sponsored by Americans to Protect Family Security, a front for the life insurance and financial advisory industries. Its target is a proposed new Department of Labor regulation to simply require that the sellers of annuities, life insurance, IRAs, 401(k) investments and other such retirement products place their clients' interest first. The explosion in self-directed retirement savings has made this a big deal. Labor Secretary Thomas Perez says that conflicts of interest in the retirement security industry cost IRA investors $17 billion a year. The industry, naturally, treats this as the end of civilization as we know it. During a four-day hearing by the Department of Labor this week, an industry lobbyist fretted that "the new conflict of interest and fiduciary definition rules will generate uncertainty, cost and potential liability." The life insurance industry warned that the rules would prevent customers from continuing "to enjoy the access they currently have to certain financial products." Well, yes. Customers would lose access to retirement products with hidden fees and conflicts of interest that cost them money. The whole point is that millions of customers can't tell if they should trust their advisors, because the latter's conflicts of interest are often well-hidden. When one hears the characters in the industry's college-parents commercial worrying that they'll get "no more help from Anne," their trusted advisor, one feels the urge to knock some sense into their heads. That great advice you're getting from "Anne" may do more to line her pockets than your own--and you wouldn't even know. If the Department of Labor regulations go through, then you'll know.

July 23, 2015
Separating fiction and facts in the conflicted-advice debate
The Hill by Joseph C. Peiffer, on behalf of the Public Investors Arbitration Bar Association
Who could possibly be against eliminating a conflict of interest that costs American savers and investors $17 billion to $21 billion a year? Who would even try to argue with a straight face that such a massive

harm is actually a good thing for investors and savers? The brokerage industry, that's who. In the wake of the announcement of the Department of Labor's proposed "fiduciary duty" rule, which would require brokers to put their clients' interests first (horrors!), much of Wall Street has labored to spread fear regarding the rule's potential effect. The industry has asserted that investors are well-served as things stand now and that the imposition of the proposed rule will bring about undesirable results. … he brokerage industry wants to have it both ways today. They want brokers whose every decision are driven by commission income to be able to pass themselves off as trusted advisers who are putting their clients' interests first. When those clients object in arbitration proceedings to the harm done to their nest eggs by conflicted advice, brokers want to be able to disown any fiduciary obligation. This is very the definition of a broken system and it needs the fix that the Department of Labor rule is providing.

July 1, 2015

Sabotage in your IRA: Sens. Warren and Booker

USA Today, by Sens. Warren and Booker

It's hard — really hard — to save for retirement. And the stats bear this out: Almost one-third of Americans on the edge of retirement have zero savings. Another third have saved less than one year's income. t's hard — really hard — to save for retirement. … That's why it's important to protect every dollar that someone puts away for their retirement. Many Americans rely on investment advisers for guidance on how to save towards retirement, and most advisers have savers' best interests at heart. But not all advisers put their customers first — and that's created a hole that's draining $17 billion in retirement savings every year, money that's going to some investment advisers who are more interested in collecting fees for themselves than helping families build real security. …Most retirement advisers recommend investments that work best for the customer. They work together with their clients to help them reach their retirement savings goals. But some don't. These advisers and brokers recommend investments that boost their own profits through fees and bonuses, while the value of the customer's savings are eroded over time. …Because of outdated laws and loopholes big enough to drive a truck through, it is now perfectly legal for brokers and advisers to take payments and boost their own incomes by pushing lousy products. Most customers aren't on the lookout for unscrupulous retirement advisers. …Even if the percentages seem small, over time costs compound to become big numbers. People working hard to put away money lose an estimated $17 billion a year to excess fees. Even a 0.75% increase in fees could cost a retiree over $100,000 in savings over a career. That's a lot of money to lose. …The Department of Labor, which has clear authority to act, has stepped up. It's about time. Middle-class families face many challenges trying to save for a secure retirement, but high fees and hidden payments shouldn't be among them. Hard-working Americans who manage to scrape together some savings for their retirement should be able to trust that their advisers are working for them — not against them.

June 29, 2015

Gazette opinion: Who is acting in U.S. retirees' best interests?

Billings Gazette Editorial

One of the biggest investment decisions American workers will make is where to put their retirement savings. Many of us have little investment savvy, so we depend on advice from financial professionals. But did you know that such professionals aren't required to provide advice that's necessarily in your best interest? Other types of investor-adviser relationships must meet a fiduciary standard. No such standard is in place for Individual Retirement Accounts. No such protection is required by law for workers seeking to rollover their 401(k). … A worthwhile consumer protection rule should discourage bad advisers. At the same time, it should encourage the financial advisers who already are working in their clients' best interests to continue their good service. The retirement advice rule can still be revised, and no rule will be in place before next year at the soonest. Perez has said the slow pace of rulemaking will allow the department to get it right. Millions of Americans are depending on that commitment to help them hold retirement investment advisers accountable. …It may need some revision, but its basic purpose must be kept intact: Financial advisers should be accountable for acting in the best interests of American workers and retirees.

June 22, 2015

When Retirement Savings Are Unsafe

The New York Times by Teresa Tritch

The Department of Labor is about midway through a public comment period on its “fiduciary rule” proposal to require financial advisers to act solely in their clients’ best interests when giving advice and selling investments for retirement accounts. The proposal, if finalized, would be a big improvement on current practice, in which many advisers are free to steer clients into high-priced strategies and products even when comparable lower-cost alternatives are available. Not surprisingly, the financial industry and its allies in Congress are opposed. Industry lobbyists are even more combative on this particular issue than others, because they wrongly believed they had killed off the push for a fiduciary rule years ago, when they buried an earlier proposal in a pile of legalese and minutiae. But the Labor Department, with the backing of President Obama, came back with the current proposal that protects retirement investors while carefully addressing industry concerns. …But the longer the fight goes on, the clearer it becomes that arguing against a fiduciary duty is arguing for biased advice that costs retirement savers billions of dollars a year. …I have faith that the financial industry can figure out how to make money from retirement savers with relatively small balances, even if it has to put those clients’ interests first. And if the big players can’t do it, smaller players who already can and do give unbiased advice will grow bigger while new players will emerge to fill the gap. The financial industry will not give up. The Labor Department and the Obama administration will have to fight all the way to impose the fiduciary rule. They are fighting the good fight.

June 10, 2015

Editorial: Wagner puts brokers (and contributors) ahead of investors

St. Louis Post Dispatch Editorial Board

U.S. Rep. Ann Wagner, R-Ballwin, is a leading opponent to an attempt by the Obama administration to keep financial advisers from pushing high-fee investment plans on small investors. She also gets a great deal of her campaign contributions from the insurance and financial industries. …The rule, written by the Department of Labor and supported by President Barack Obama, seeks to tighten guidelines on financial advisers. It raises the standards for investment advice given by brokers handling retirement accounts, and requires them “to put their clients’ best interests before their own profits.” Most small-time investors don’t have any idea when their brokers put their own interests ahead of those of their clients. The labor department says the proposed rule will protect 401(k) and IRA investors by mitigating the effect of conflicts of interest in the retirement investment marketplace. Based on a White House Council of Economic Advisers analysis, an investor who is affected by the conflict would lose about 1 percentage point of his investment. Doesn’t sound like much until you add it up, which is what the council did: The total loss to investors amounts to $17 billion a year. The goal of the new rule is to crack down on unscrupulous brokers who take advantage of their roles as knowledgeable and trusted advisers to reap rewards for themselves. Wall Street and the four largest financial services firms outside of New York, which are headquartered in St. Louis, don’t like the proposed new rule one bit. They are battling it fiercely, and Ms. Wagner is leading their fight. …Retirement savers need good news. They need help and they need protection from bad actors in the financial advice world. Ms. Wagner’s legislation needs to be put down and the DOL’s proposed rule needs to proceed.

June 8, 2015

[Whose interest does your financial advisor serve?]

CBS Money Watch by Steve Vernon

The U.S. Department of Labor recently proposed regulations that would require professionals who are paid to advise individuals on their retirement savings to act as 'fiduciaries.' That means advisors need to put their clients' financial interests above the advisor's own interests when making recommendations. The proposals would apply to those who offer advice regarding 401(k) plans and IRAs. The goal is to increase protection for consumers and the various professionals who manage retirement savings, while decreasing excessive transaction and investment management fees that lead to underperformance. The Labor Dept. estimates the savings could range from $210 billion to $430 billion over the next 10 years, adding directly to individuals' retirement savings.

March 13, 2015

[Wall Street wants big profits, 'good enough' advice]

Tampa Bay Florida by Robert Trigaux

On one side: government and consumer groups that want investment advisers held to a higher standard designed to benefit clients. On the other side: Wall Street firms eager to sustain there cherished "good enough" standard of investing advice that has driven the gravy train of commissions for so many stock brokers. Often at their clients' expense. …The president called on the Department of Labor, or DOL, to revive plans to require retirement advisers to put their clients' best interest before their own profits. The AARP and other groups keen on stronger financial consumer protections say basic investors are not aware of the commissions their advisers earn when getting them to enroll in retirement plans that qualify as suitable but may not be the best possible choice for clients. Needless to say, Wall Street is up in arms again. …Once again at issue is the pitting of the "suitability" against the "fiduciary" standard. They are two different standards that govern advisers and financial planners. The suitability or "good enough" standard requires that investments recommended by advisers simply fit a client's financial objectives, time horizon and experience. And if such investments also happen to generate mediocre returns to the client but big commissions to the adviser? Well, that's okay under the suitability standard. Advisers held to the higher fiduciary standard are legally obligated to recommend investments that are only in a client's best interests, whether or not they match the financial interests of the adviser. Barbara Roper, director of investor protection for the Consumer Federation of America, wants all financial advisers to be held to the fiduciary standard so consumers are more likely to receive better investment recommendations. The issue is critical because, with so many Americans way behind in their efforts to build an adequate retirement nest egg, every dollar counts.

March 2, 2015

[Stop fees from putting 'broke' in 'broker']

The Detroit News by Brian J. O'Connor

Fasten your Financial-Lingo Safety Belts, folks, because we're going to be wading hip-deep in technical terms this week, including repeated use of the word, "fiduciary."

Wait — come back here! This is serious business, and could means the difference between spending your eventual retirement in a sunny Florida condo vs. a reconditioned shipping container. The crux of the matter is how much of your eventual nest egg gets lost to brokers and salespeople in overpriced fees and commissions and how much stays in your nest. The topic is getting attention after President Obama endorsed a new Labor Department rule last week that will tighten the rules on financial advisers by requiring them to adopt a fiduciary standard. …As this debate proceeds, ask any broker who gripes about the proposed rule this: "If not mine, whose interests do you put first?" If all you get is a bunch of blather about the fiduciary standard limiting American workers' access to financial guidance or pricing them out of professional retirement planning, stop to consider just how likely it is that the financial services ndustry will suddenly turn its back on a $1.7 trillion-a-year market.

March 1, 2015

Seeing through the fog on retirement-fund advisers

The Philidelphia Inquirer by Jeff Gelles

Let's see. Do I want an investment adviser or a financial adviser to help plan for retirement? A variable annuity, fixed annuity, or no annuity at all? How about stashing savings in an S&P 500 index fund – they're all the same, right?

I don't have vertigo, but whenever I consider my options for retirement saving, my head spins. Then I heard about President Obama's AARP speech last week and wondered if the diagnosis – and a simple, straightforward treatment – had been sitting around untried all along. … We're increasingly reliant on private savings. Yet some people's prudence gets undermined by a Wild West system full of lax and confusing rules and little enforcement. For many of us, it's not only hard to distinguish among the financial products available, it's even hard to tell which advisers to trust and which to treat warily. Obama framed the problem simply: "Right now," he said, "there are no uniform rules of the road that requireretirement advisers to act in the best interests of their clients." Though the proposed rules from the Labor Department aren't yet public, Roper says it's clear that Obama wants to make that key requirement - a fiduciary duty - finally apply across the board.

February 28, 2015

Protecting Fragile Retirement Nest Eggs

New York Times Editorial Board

A new study by the White House Council of Economic Advisers has found that financial advisers seeking higher fees and commissions drain $17 billion a year from retirement accounts by steering savers into high-cost products and strategies rather than comparable lower-cost ones. The report has rocked the financial services industry — not because it is news but because the industry sees it, correctly, as a forceful statement of the Obama administration's determination to do something about the problem. But many financial professionals, including commission-based stockbrokers, have no fiduciary duty, even when they call themselves advisers, consultants or specialists. The rules on retirement advice are especially in need of reform because they have not kept up with the long shift from traditional corporate pensions to 401(k)'s and Individual Retirement Accounts that people amass on their own. Pension managers, for example, have a fiduciary duty to plan participants. But no such duty exists for most advisers who counsel people on whether and how to roll over a 401(k) when leaving a job or retiring — one of the most consequential decisions savers make. …Even conceding the financial services industry's inordinate clout in Washington, the notion of a fiduciary duty for retirement advisers should be uncontroversial. The administration has to stand firm against the backlash and move quickly to put effective rules in place.

February 24, 2015

Fiscal Hawks Should Love Cheaper Retirement Plans

Bloomberg By Barry Ritholtz

I wanted to spend a bit of time on the Labor Department's proposal to place a fiduciary obligation on those who manage or provide investment advice on retirement plans. These include individual retirement accounts and 401(k)s (including 403(b)s). The new rules require the broker or adviser to "operate in the best interest of the client." I don't want to rehash all of the reasons why this is a very good idea — I did that last year in an article with the headline "Find a financial adviser who will put your interests first." Instead, I want to explain why fiscal conservatives should rally around this idea as a way to hold down taxes. …The proposed fiduciary rules are not an explicit fee cap, but they would require that "any fees and costs paid by the client be reasonable for the services provided." It is probable that the "best interests of investors" will mean that fees will be reduced from today's often-excessive levels. If you doubt this, then perhaps you might explain why Wall Street has spent millions of dollars lobbying against the fiduciary standard. They KNOW just what the net result will be -- lower fees to brokers and advisers.