AFR Americans for Financial Reform

A Huge Victory for American Workers and Retirees

After years of effort, and against massive opposition by some industry players, the Department of Labor has come out with a rule requiring retirement investment advisers to give honest advice – the kind that puts the best interests of their clients first.

Today's announcement is a huge victory for American workers and retirees. Under the old rules, which have not been updated for forty years, some investment advisers have been held to a best-interests (or fiduciary) standard, but many others have not. Brokers, insurance company salespeople and others have taken advantage of loopholes to promote high-commission investment products that benefit the seller over alternatives that better serve the investor with lower fees, higher returns, or fewer risks. The cost of this kind of conflicted "advice" can run into the tens or even hundreds of thousands of dollars for an individual worker or retiree, and it adds up to more than $17 billion dollars a year for retirement savers in the aggregate, according to the White House Council of Economic Advisers.

The DOL's new rule closes these loopholes. It has the potential to deliver significant benefits to middle-income Americans in a time of slow wage growth, when many people have trouble setting money aside for retirement in the first place. Support for the rule is widespread: in one major demonstration of that support, more than 225,000 people signed a set of petitions organized by CREDO Action, MoveOn Political Action, Americans for Financial Reform, and Public Citizen, and delivered to Congress and the Labor Department.

The rule is favored by leading groups representing retirees and workers, and by many financial professionals and firms that already adhere to a fiduciary standard. By their example, they show that it is perfectly possible to do so while profitably providing advice to ordinary retirement savers – contrary to the claims of lobbyists for those industry elements that have grown accustomed to the inflated profit opportunities of the regulatory status quo.

Opponents of this rule have taken to calling it "unworkable." By that they simply mean that it will require them to change a business model that is inherently deceptive and exploitative. The DOL rule is both workable and, very plainly, the right thing to do.