

# REALITY VERSUS THE DOL FIDUCIARY PROPOSAL

## Facts about the current financial state of Americans and today's planning environment

### *Consumer Assets vs. Advisor Minimums*

**\$34,000** = IRA median value<sup>1</sup>

**\$30,000** = 401(k) median value<sup>1</sup>

**\$1,000,000** = median fee-based advisor minimum required assets<sup>2</sup>

**79** = percentage of Hispanic and African-American households with assets under \$100,000<sup>1</sup>

**9** = percentage of financial advisors who don't require at least \$100,000 in minimum assets and/or a \$3,000 minimum annual fee<sup>2</sup>

### *Commissions vs. Fees*

**54** = percentage of Mass Affluent consumers stating they would rather pay a commission than a fee<sup>3</sup>

**70** = percentage of respondents from a study cited in the White House Economic Council memo stating that it was worth accepting a lower return if they had the ability to meet with and talk to a broker<sup>4</sup>

**0** = number of studies cited in the White House Economic Council memo showing that bans on paying commissions have been beneficial<sup>5</sup>

### *Fiduciary-Only vs. Suitability*

**0** = evidence of actual abuse caused by the Suitability Model shown by Department of Labor Assistant Secretary Phyllis Borzi in her testimony on July 26, 2011, to the House Committee on Education and the Workforce, Subcommittee on Health, Employment, Labor, and Pensions<sup>6</sup>

**0** = evidence provided by the Consumer Federation of America to support its allegation that the lack of a fiduciary-only standard means that "investors suffer real financial harm"<sup>7</sup>

### *Commission Payouts vs. Fee Payouts*

**\$6,000** = average total commission income paid to an annuity agent over 25 years assuming 5% growth and 5% payout<sup>8</sup>

**\$19,712** = average total fee income paid to a fee-based advisor over 25 years assuming 5% growth, 5% payout and 1% annual fee<sup>8</sup>

<sup>1</sup> U.S. Census Bureau Survey of Income and Program Participation, 2011

<sup>2</sup> <http://www.washingtonian.com/articles/work-education/top-money-advisers-2014-fee-only-financial-planners/index.php>

<sup>3</sup> Fiduciary – Do Investors Know What It Means? Spectrem Group Whitepaper, 2015. Available at [http://spectrem.com/Content\\_Whitepaper/fiduciary.aspx](http://spectrem.com/Content_Whitepaper/fiduciary.aspx)

<sup>4</sup> John Chalmers & Jonathan Reuter. What is the impact of financial advisors on retirement portfolio choices and outcomes? NBER Working Paper No. 18158, issued June 2012. Available at <http://www.nber.org/papers/w18158>

<sup>5</sup> <http://www.bloomberg.com/news/articles/2015-01-30/wall-street-gears-up-as-white-house-pushes-retirement-fund-rules>

<sup>6</sup> Testimony of Phyllis C. Borzi, Assistant Secretary of Labor, Employee Benefits Security Administration before the House Committee on Education and the Workforce, Subcommittee on Health, Employment, Labor, and Pensions. July 26, 2011. Available at <http://www.dol.gov/ebsa/pdf/ty072611.pdf>

<sup>7</sup> Tara Siegel Bernard. Before the advice, check out the adviser. *New York Times*, October 12, 2014. Available at <http://www.nytimes.com/2014/10/12/business/mutfund/before-the-advice-check-out-the-adviser.html?>

<sup>8</sup> Flaws in a Fiduciary-Only/Best Practices Standard. Advantage Compendium Research Paper 15-02a, issued Spring 2015.

