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Comments on The Employee Benefits Security Administration (EBSA) Proposed Rule: Definition of Term Fiduciary; Conflict of Interest Rule-Retirement Investment

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Delaying Fiduciary Rule Was The Right Decision

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By delaying the Fiduciary Rule, President Donald Trump is making it easier for Americans to save for retirement and get the advice they need from financial professionals.

The Fiduciary Rule is an Obama-era regulation that would have placed onerous and costly burdens on financial professionals who manage IRAs and 401(k) plans. It would have limited Americans' access to retirement advice and limited their choice when it comes to saving for their golden years. It is an unnecessary and burdensome regulation that could have dire effects on savings and economic growth.

Many Americans are already struggling to set aside money for their nest egg, and as the cost of living rises, they're getting further and further from meeting their retirement savings goals. Not to mention, picking stock funds, balancing portfolios and diversifying assets across investment vehicles can be overwhelmingly complicated.

Everyone who wants it should have access to help and resources from an investment adviser. Thankfully President Trump agrees and prevented federal bureaucrats from reducing retirement savings options. He even helped smaller investors in the process.

That's because smaller investors – those with less than $25,000 in an IRA – would have been significantly impacted by the rule. Most of these investors put their money in a retirement account and don't touch it very often. But when they need advice, they can pay an adviser to help them with each transaction.

This relationship would have effectively ended under the fiduciary rule, because the pay-per-transaction model would be eliminated. Instead, investors would likely have to

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pay a flat, and pricey fee for investment advice, or have at least $25,000 in an IRA to qualify for advice. This change would have prevented more than 7 million Americans from getting investment advice anywhere.

These 7 million Americans are primarily young adults, who are just beginning to save for retirement, and older Americans, who rely on IRAs during their peak retirement years. Telling these account holders, they have to manage their retirement funds alone, would only discourage them from doing more planning for their future.

A recent study from Oliver Wyman, Inc. quantified the impact of the fiduciary rule by surveying 12 financial firms that manage 40 percent of all IRAs in the United States and 40 percent of all IRA assets. Collectively, the firms represent 19 million IRA owners and $1.79 trillion.

The study found that most Americans don't have $25,000 saved in their IRA; the majority of IRA holders have $10,000 or less set aside. And these retirement savers are expected to cash out their IRAs if they no longer had access to investment advice, instead of investing more to qualify for professional advice.

Financial advisers, too, would certainly take a hit from the rule. More than one-third of current financial professionals who work with clients would not be licensed to help those clients under the rule. In some cases, more training and licensing would be required for financial professionals, and in other cases, financial firms would not be able to provide services to smaller investors.

The fiduciary rule would make sweeping changes to the financial advice industry, and without any real benefit to investors or financial professionals. President Trump got it right in delaying the fiduciary rule so that Americans can have a better retirement. And, sometimes, the best thing government can do is just get out of the way. Delaying the fiduciary rule would do just that.

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