Building Financial Security For All

AFFORDABLE ACCESS TO FINANCIAL ADVICE: STANDARD OF CARE

NAIFA | Since 1890

NAIFA members are dedicated financial professionals helping American individuals, families, and businesses build financial security and protect their dreams.

Support families' and businesses' access to affordable insurance and investment products from dedicated financial professionals.

Protecting consumers who seek advice from financial professionals is necessary to ensure Americans have the confidence to seek out help with financial guidance and planning. NAIFA members agree to abide by the NAIFA Code of Ethics, which requires them to work in the best interests of their clients. NAIFA supports public policy that furthers this aim without limiting consumer choice or creating barriers that could prevent all Americans from accessing needed financial products, services, and advice.

Oppose potential new DOL fiduciary rulemaking on the horizon.

The Department of Labor (DOL) has announced that it is developing additional rulemaking to be released in August that is widely expected to restore much of the 5th Circuit-vacated 2016 rule and seek a fiduciary-only approach. Unfortunately, as we learned from experience during the short time it was in effect, the result will be millions of low and middle-income Americans losing access to the products and services they need to help them achieve their financial and retirement objectives.

This approach would eliminate support from financial professionals who receive one-time commissions and leave only fiduciaries available for those with substantial savings willing to pay ongoing service fees. Proponents of this approach claim that it would ensure financial professionals act only in the interests of their clients. However, studies show that the net effect of a fiduciary-only approach would make guidance unavailable to many who need it and widen the racial wealth gap.

For example, a recent study by the Hispanic Leadership Fund found that restoring the 2016 rule would reduce the projected accumulated retirement savings of 2.7 million individuals with incomes below $100,000 by approximately $140 billion over ten years and would shut down access to financial inclusion for 10 million households.

Why New Rulemaking Is Unnecessary and Harmful to Main Street Savers

The new rulemaking fails to acknowledge that the regulatory environment has changed substantially since the rule was vacated. The Securities and Exchange Commission (SEC), the DOL, and state insurance regulators have subsequently implemented new regulations. The new federal and state rules require all financial professionals to act in their client's best interests without putting their own interests first.

The Best Interest Standard, as embodied in rules like the SEC's Regulation Best Interest and the NAIC Annuity Suitability Model (#275), strikes the necessary balance between consumer access and choice and consumer protection from unsuitable, risky or outright fraudulent advice. Under this federal and state regulatory framework, financial professionals must act in the consumer's best interest without placing their financial interests ahead of the consumer's. This standard maintains **affordable access to "Main Street" financial professionals** and allows for planning that meets each consumer's unique situation, goals, and preferences. Contrary to a fiduciary- or fee-only approach, which would make it harder for smaller and moderate savers, the Best Interest Standard protects consumers without disenfranchising middle- and working-class families who want access to sound and transparent financial guidance.

Federal and state regulators are actively and aggressively enforcing this newly strengthened regulatory framework of the best interest standard. No evidence has been produced to show that problems or deficiencies make the existing regulatory framework ineffective in protecting retirement savers.

There is no need to expand further the existing federal and state regulatory framework that governs the standard of conduct for financial professionals who provide personalized advice about investments and/or insurance to retail consumers. Expanding the current regulations would only serve to stem the progress made in strengthening retirement security for more of America’s middle-class workers, retirees, and their families. It would deprive them of access to advice about retirement savings strategies and the right to work with their preferred financial advisor on terms that best fit their situations and needs.

NAIFA | Advocacy

THE BEST INTEREST STANDARD PROTECTS CONSUMER CHOICE

SEC Reg BI + NAIC Annuity Best Interest Model #275 equals strong consumer protections while maintaining consumer choice and access to a broad range of financial products and services.

According to FINRA, only about 1 in 10 are very confident that they can conduct different aspects of financial planning without the help of a financial professional.

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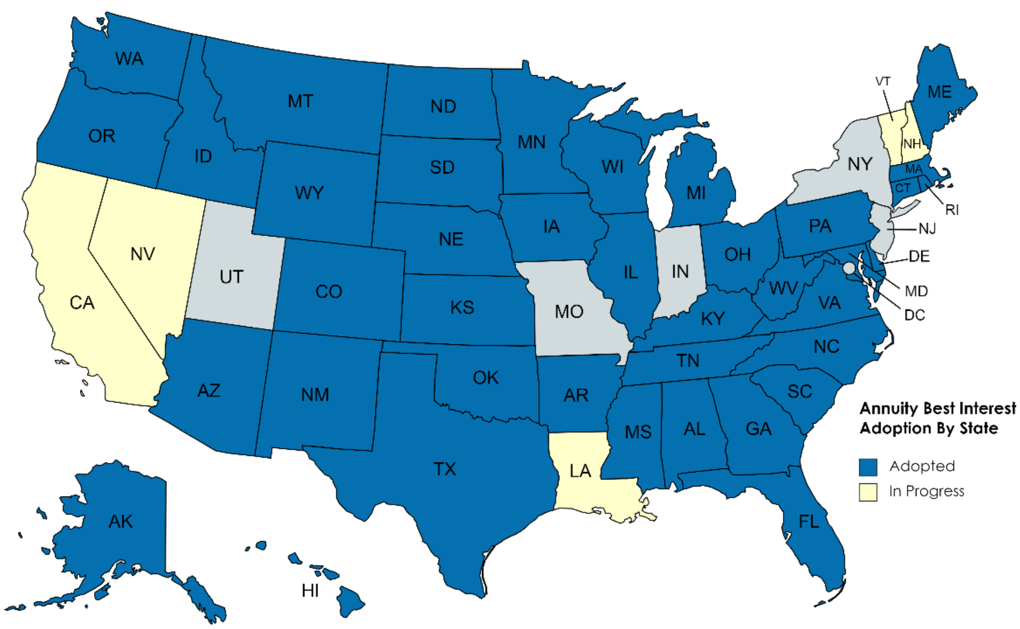
States have uniformly adopted the NAIC Annuity Best Interest Model #275



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