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DALBAR: DoL Proposal May Undermine Retirement Saving

(June 9, 2015, Boston MA) DALBAR submitted its response to the Department of Labor (“DoL”) regarding its regulatory proposal, *Definition of the Term ‘Fiduciary’; Conflict of Interest Rule-- Retirement Investment Advice* (“COI Proposal”). The response contained the findings of an analysis of the effect the proposal is likely to have on investors/participants and on the employers who offer retirement plans.

Instead of creating incentives to increase retirement savings, DALBAR found that the COI Proposal is likely to have the opposite effect. By encumbering (or in some cases prohibiting) incentives the proposal weakens one of the major drivers of retirement savings. Incentives are the compensation that motivates advisors to convince employers to offer and workers to plan for retirement. In seeking to lower expenses, the proposal de-funds the driver of the most important contribution to retirement security.

The current COI Proposal offers no enhancement to retirement savings or even a replacement for the funding lost by lower expenses.

In its response to the COI Proposal, DALBAR reports four major findings to the Department of Labor:

- Underperformance is far greater than estimates but the COI Proposal does not address the most significant underlying causes.
- The COI Proposal will effectively lower the fiduciary standard of care by the indiscriminate inclusion of all practitioners without screening and adding exemptions that permits lower standards.
- The assumption that bad advice and use of incentives are harmful to retirement security is demonstrably false.
- By its restrictions, the COI Proposal destroys the incentives that build retirement security.

DALBAR offers two alternative recommendations to regulators:

- Clarify confusion by prohibiting the use of titles and designations that are deceptive or misleading regarding the fiduciary role that an investment practitioner plays.
- Require a superior standard of care from those who choose to use titles or designations that imply fiduciary responsibility.

A Copy of the DALBAR response is available [here](#) or by e-mail to info@DALBAR.com.

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