AARP Survey Shows Overwhelming Support Among Employers for Requiring Investment Advice to be in Best Interest of Retirement Plan Participants

Washington, DC – A new AARP survey of employers shows overwhelming support for requiring the advice provided to workers who participate in 401(k)-type retirement plans to be in their best interest, a policy called "fiduciary duty."

The survey, the second in a year on the general topic by AARP, found that a compelling 89 percent of "plan sponsors" (*employers*) favor requiring 401(k)-type providers to give advice that is in the best interest of the participants. This includes 68 percent who said they strongly support the requirement and 21 percent who said they somewhat endorse the requirement.

This key finding nearly mirrors an AARP survey of actual plan participants (*employees)* last May that found that 93 percent want fiduciary duty to be in effect when receiving advice as plan participants.

The two surveys convey powerful support for the concept of fiduciary duty at a time when the U.S. Department of Labor is considering new regulations to better protect workers and their retirement funds from the potential conflicts of interest of some financial advisors.

Over the last 30 years, with the shift from pensions to 401 (k)-type "defined contribution" plans, more people are left to make important, complicated decisions about their retirement savings. Workers often turn to investment professionals for assistance with such decisions. Nearly two thirds - 65 percent - of defined contribution plan sponsors say that their defined contribution provider offers "one-on-one investment advice or consultation" to plan participants, according to the survey.

The survey notes that most people trust those financial professionals to offer investment advice based on the best interest of those they are advising. But unless that advisor is under a legal requirement to act in the plan participant's interest (that is, under a "fiduciary duty"), that advisor could be offering advice that aims at improving the advisor's own finances, rather than those of the plan participant.

This conflicted advice potentially can have a major negative impact on many consumers whose retirement security is based in part on their success in saving and investing through workplace-based 401 (k)-type plans.

"The results of the two AARP surveys are a strong, almost uncontestable vote for the principle that the financial advice provided to those in retirement plans should be in the best interest of the plan participants, not in the best interest of the advisor," said Cristina Martin Firvida, AARP's Director of Financial Security and Consumer Affairs. "We continue to urge the Department of Labor to proceed with an updated rule that ensures greater financial protection for workers and their families."

Martin Firvida added that, under current regulations for 401 (k) retirement plans, financial advisors providing advice to participants may earn money based on the individual's investment selections.

The survey was conducted over a three month period ending last September. The findings are based on the responses of 3,010 plan sponsors (employers) who answered the survey questions.

Other highlights of the survey include:

1. An overwhelming percentage of plan sponsors (88 percent) strongly or somewhat favor requiring "defined contribution" providers to clearly explain to plan participants if the provider's advice is not obligated to be in the participant's best interest.
2. While the overwhelming majority of employers /plan sponsors in the latest survey support fiduciary duty requirements, an almost identical percentage (91 percent) say that they completely or somewhat trust their defined contribution provider to offer advice that is in the best interest of the employee.
3. Of those employers / plan sponsors whose defined contribution provider offers one-on-one advice, nearly all (96 percent) at least somewhat trust their provider to give advice that is in the participant's best interest. Nearly two thirds (65 percent) say they completely trust the provider to offer advice in the employee's best interest. By comparison, of those sponsors whose provider does *not* offer one-on-one advice, 80 percent say that they would at least somewhat trust their provider to give advice in the participant's best interest. Of that group, only 28 percent say they completely trust their provider.

http://www.aarp.org/work/retirement-planning/info-2014/fiduciary-duty-and-investment-advice---attitudes-of-plan-sponsor.html

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