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AARP Urges SEC to Revise and Retest the Best Interest Advice Guidance

Research Reiterates Confusion Among Investors, Presents Opportunities to Improve Proposed Regulation

WASHINGTON, DC—Today AARP urged the Securities and Exchange Commission (SEC) to rethink, revise, and retest its proposed Customer Relationship Summary form (CRS) until clear, informative guidance can be given to consumers. In a study released by AARP, researchers found that, even after making significant changes to the SEC's consumer disclosure form, investors remain confused. More plain language and simpler presentation could not hide a lack of clarity that still exists in the disclosure forms, the study found.

The purpose of this second round of research was to gather consumer reaction to the proposed Customer Relationship Summary (CRS). The study found multiple opportunities to amend the CRS and improve the experience of the retail investor. However, despite efforts to simplify the form, researchers found more confusion among investors on important issues, including the crucial best interest standard. The research also found that retail investors could not make informed decisions about which type of account or service would be best for them.

"Although all of our research continues to demonstrate confusion among investors, we discovered opportunities that would help consumers," said AARP Executive Vice President Nancy LeaMond. "Investors deserve a clear definition of best interest advice. Although we recognize that achieving such a definition is no easy task, AARP believes that for the regulation to be effective, the SEC should adopt more meaningful standards and useful forms."

Key takeaways from investors in the new research include confusion about multiple items:

- **Forms:** Consumers had low comprehension, even with simpler language and format changes. Although a redesigned CRS provided participants with a somewhat better understanding than the Commission's originally proposed CRS, the more technical or abstract the concept, the lower the level of comprehension became.
- **Legal obligations:** Consumers misunderstood legal obligations. The SEC has not clearly defined the standard on broker-dealers.
- **Conflict of interest:** Consumers did not understand what it meant to have a conflict of interest. They had a vague sense that it would not be good for them, but they do know they want their own interests to come first.
- **Fees and costs:** Consumers remain confused over fees and costs associated with their investments. Nearly all retail investors involved in the research expressed surprise at the types and number of fees described in the CRS' Costs and Fees section.

The research was conducted on behalf of AARP and the Certified Financial Planner Board of Standards, Inc., by the Kleimann Communications Group. Testing of the revised CRS took the form of 18 one-on-one, 60-minute interviews in three geographically diverse sites: Denver, Colorado; Tulsa, Oklahoma; and St. Louis, Missouri. After each round of testing, the major issues that presented problems during that round of testing were identified. In some cases, researchers proposed a design or content modification to CRS as an experimental solution in the next round of testing. The goal was to develop an alternate CRS that retail investors could use to better understand the differences between Broker-Dealer and Investment Adviser services.

The research is the second in a series of such analysis by AARP and partners. The first set of research, conducted in September of 2018, also focused on the CRS form.

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About AARP

AARP is the nation's largest nonprofit, nonpartisan organization dedicated to empowering people 50 and older to choose how they live as they age. With a nationwide presence and nearly 38 million members, AARP strengthens communities and advocates for what matters most to families: health security, financial stability and personal fulfillment. AARP also produces the nation's largest circulation publications: AARP The Magazine and AARP Bulletin. To learn more, visit www.aarp.org or follow @AARP and @AARPadvocates on social media.

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