International Association of Machinists

& Aerospace Workers

IAM Supports DOL Fiduciary Rule
Implement Rule NOW

Less than 20 percent of American workers are covered by a professionally managed defined benefit pension, which guarantees a fixed monthly benefit. For most Americans, a 401K saving plan or an Individual Retirement Account (IRA) has become the primary means of preparing for retirement.

Unfortunately, under current law many financial advisers providing vital retirement investment advice are legally allowed to make recommendations that serve their own self-interest, at their client's expense. In its Regulatory Impact Analysis (RIA), the Department of Labor (DOL) extensively chronicled the nature and extent of advisory conflicts of interest. The RIA found, based on a wide body of economic evidence, that conflicted advice is widespread and causes serious harm to plan and IRA investors. Furthermore, it found that advisers' compensation arrangements are often calibrated to align the firms' and advisers' interests, and not the wellbeing of investors.

The losses that stem from conflicted advice can be significant. The DOL estimated that IRA holders receiving conflicted investment advice can expect their investments to underperform by an average of 0.5 to 1 percent per year over the next 20 years. The DOL concluded that the underperformance associated with conflicts of interest – in the mutual funds segment alone – could cost IRA investors between $95 billion and $189 billion over the next 10 years. Investors who roll retirement savings into an IRA could lose 6 to 12 and possibly as much as 23 percent of the value of their savings over 30 years of retirement by accepting advice from a conflicted financial adviser.

The DOL has proposed regulations, the "Fiduciary Rule," that would directly address the problem of conflicted retirement investment advice by requiring all financial advisers who provide retirement investment advice to serve their clients' best interest, not their own self-interest. Importantly, the rule applies this protection not only to individual investors, but also to employers operating small company plans and relying on financial institutions for advice on investment selection.

Some in Congress are seeking to delay the implementation of the Fiduciary Rule at the behest of the financial services industry, and **the Trump administration has put the Rule under further review for an additional 60 days past its scheduled April 10 implementation date.** Retirement savers need and deserve to receive the protections of the rule without delay. The IAM strongly urges that the DOL move forward with implementation of the Fiduciary Rule without delay once the new 60 day review is completed.