

THE FINANCIAL SERVICES ROUNDTABLE



Financing America's Economy

To: Representatives of the Financial Services Roundtable, GAC, Public Affairs Council, Research Council, All Staff

Fast Facts: FIDUCIARY RESPONSIBILITY

The following information is provided by the GAO in their [January 2011 Consumer Finance](#) report.

FACT: Between 2000 and 2008, the number of financial planners more than doubled, from 94,000 to 208,400, respectively. By 2018, the number of financial planners could reach 271,200 as millions of retiring Baby Boomers need advisers to assist with their retirement plans.

FACT: Consumers generally do not understand the distinction between different types of financial planners (broker-dealers versus investment advisors) and different standards of care (suitability versus fiduciary), according to a 2008 RAND survey cited in the GAO study.

FACT: There are three main types of financial planners outlined in the GAO study:

1. **Investment Advisers:** Give advice about securities.
 - Governed by the Investment Advisers Act of 1940, rules from SEC, and state securities laws.
 - Have *fiduciary* duty to render services solely in the *best interest* of clients and disclose conflicts of interest.
2. **Broker-Dealers:** Recommend, purchase, and sell securities.
 - Governed by the Securities and Exchange Act of 1934, rules of SEC, FINRA, and state securities laws.
 - Have *suitability* rules requiring that recommendations are *suitable* for customers.
3. **Insurance Agents:** Recommend and sell insurance products.
 - Governed by state insurance laws.
 - Have *suitability* rules that vary by product and state insurance law.

FACT: The Department of Labor has proposed rules changing who is considered an ERISA/IRA fiduciary, and the SEC has issued a staff study addressing whether to implement uniform standards of care for broker-dealers and investment advisers when providing personalized investment advice to retail customers.

FACT: On January 22, 2011, the SEC submitted [this study](#) to Congress in answer to Section 913 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which charged the SEC to study the obligations of broker-dealers and investment advisers. The SEC study was accompanied with this [statement](#) by Commissioners Casey and Pardes.

If you have questions, please do not hesitate to contact Abby McCloskey, Director of Research at the Financial Services Roundtable, at Abby@fsround.org, Scott Talbott, Senior Vice President of Government Affairs, at Scott@fsround.org, or Brad Ipema, Senior Counsel for Legal & Regulatory Affairs, at Brad.ipema@fsround.org.

Looking for past [Fast Facts](#)?

Please visit the Roundtable's Fast Fact Center at www.fsround.org. Scroll down to Fast Facts.

January 28, 2011