



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

### **Fast Facts: IRAs & Fiduciary Duty**

**FACT:** Over [49 million U.S. households](#) are invested in individual retirement accounts (IRAs).

**FACT:** IRAs are [the fastest growing accounts](#) and currently hold a larger portion of retirement assets than pension funds.

**FACT:** There are two methods of compensating financial professionals who work with IRA owners:

1. **Advisory fee based IRAs:** The advisor is paid an advisory fee to provide one or more of the following services: ongoing investment recommendations, portfolio monitoring, account surveillance, and broad financial planning to the IRA investor.
2. **Commission-based IRAs:** The broker or insurance agent is paid a commission on any products purchased by the IRA investor.

**FACT:** Advisory-fee based IRAs are subject to a “fiduciary” standard of care under the Investment Adviser’s Act, resulting in more government supervision and thus are more costly to operate.

**FACT:** On October 22, 2010, the Department of Labor’s Employee Benefits Security Administration proposed a rule to expand the definition of “fiduciary” to apply to commission-based IRAs and any individual who provides advice regarding the “value, management, purchasing, or selling of securities.”

**FACT:** According to [a recent study by Oliver Wyman](#), if this rule is enacted, commission-based IRA investors who elect to be served in an advisory fee model could experience increased costs of approximately 75% to 195%.

**FACT:** The study predicts that [7.2 million current IRA holders](#) would not qualify for an advisory fee based account because of the account minimums required for advisory services.

**FACT:** The study predicts that [3.8 million current IRA holders](#) would leave the IRA market entirely, which equates to a \$96 billion loss of retirement savings by 2030.

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