

FIDUCIARY INVESTMENT ADVICE BENEFITS INVESTORS

CFP Board operates the CFP® certification program, which sets high standards of competency and ethics for financial planning and is accredited by the National Commission for Certifying Agencies. Today, almost 100,000 CFP® professionals (or approximately one-third of retail financial advisors in the United States) voluntarily commit as a part of their certification to act as a fiduciary, and therefore, act in the best interests of the client at all times when providing financial advice. The CFP® professionals who make this commitment to CFP Board operate under different business and compensation models and provide professional services on behalf of investment advisers, broker-dealers, insurance companies, banks, and trust companies.

Why is Fiduciary Advice Important?

- *Investors benefit from professional investment advice.* Among other benefits, professional investment advice helps investors avoid or correct common investment mistakes, save at higher rates, set long-term goals and calculate retirement needs, ensure more efficient portfolio diversification and asset allocation, and improve tax efficiency.¹
- *Best interest advice can increase access to financial advice.* Studies show that increasing trust in financial professionals is key to improving access to advice.²
- *Most Investors already expect financial professionals to be acting in their best interests.* A recent CFP Board survey found that more than 9 in 10 Americans expect, trust, and are confident that financial professionals provide recommendations and advice in their clients' best interests.³
- *Conflicts of interest can erode the benefits of professional investment advice.* Absent a fiduciary obligation, financial professionals and their firms can put their own financial interests ahead of investors' best interests. They may steer investors into products, services, or account types that maximize their own revenues but come with excessively high costs, poor performance, unnecessary risks, or illiquidity, jeopardizing investors' financial security.
- *The impact of conflicted financial advice on retirement assets can be substantial.* Investors might experience small differences in fees each year. Over time, however, these small differences can lead to enormous losses of retirement balances, with significant consequence for an investor's retirement security.⁴
- *The stakes are high for workers seeking a financially secure and dignified retirement.* Fiduciary advice is particularly important for rollovers. In 2019, retirement savers rolled over \$536 billion from employer-sponsored defined benefit plans or defined contribution plans to traditional IRAs.⁵ In mid-2022, the value of IRAs was \$11.7 trillion, which represented 34% of total U.S. retirement market assets.⁶

Questions? Please contact Erin Koeppel, Managing Director, Government Relations and Public Policy Counsel, CFP Board, at ekoeppe@cfpboard.org.

¹ See generally Regulation Best Interest: The Broker-Dealer Standard of Conduct (Regulation Best Interest), 84 FR 33318 at 33425-28 (July 12, 2019).

² CFA Institute, Investor Trust Study, Enhancing Investors' Trust (2022), *avail at* https://www.cfainstitute.org/-/media/documents/article/Enhancing-Investors-Trust-Report_2022_Online.pdf (reporting that 34% of retail investors chose "trusted to act in my best interest" as the most important attribute when deciding to hire a financial adviser).

³ CFP Board Survey: Americans Want Retirement Investment Advice To Be in Their Best Interest (March 11, 2024), *avail at* <https://www.cfp.net/news/2024/03/cfp-board-survey-americans-want-retirement-investment-advice-to-be-in-their-best-interest>

⁴ For example, increased mutual fund fees resulting from a single year of rollovers of 401(k) assets into IRAs could reduce retirement savings by \$45.5 billion over a hypothetical 25-year period. See Pew Research Issue Brief: Small Differences in Mutual Fund Fees Can Cut Billions From Americans' Retirement Savings (June 30, 2022) *avail at* <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2022/06/small-differences-in-mutual-fund-fees-can-cut-billions-from-americans-retirement-savings>.

⁵ The Role of IRAs in US Households' Saving for Retirement 2022, Investment Company Institute Research Perspectives, (February 2023), p. 6.

⁶ *Id.* at 3.