

ADISA's Summary of Data on DOL Proposed Fiduciary Rule

The crux of the argument is this: the DOL's aim is to help investors by effectively ending commission-based compensation in favor of fee-based advice for retirement accounts, assuming this to be in the investors' best interest. The major unintended consequence risk is that many investors will not want to pay or will not be able to pay for such advice, and that this lack of advice will harm investors in the long run.

General points that financial advisors helps

- Small businesses that work with a financial advisor are 50% more likely to set up a retirement plan (and micro business with 1-9 employees are almost twice as likely. (Oliver Wyman, 2015)
- Advised individuals, segmented by age and income, have a minimum of 25% more assets than non-advised individuals (Oliver Wyman, 2015) (based on data from Equifax)
- In the case of individuals aged 65 and older with \$100,000 or less in annual income, advised individuals have an average of 113% more assets than non-advised investors (Oliver Wyman, 2015).
- Advised investors have more diversified portfolios -- own twice as many asset classes, have more balanced portfolio asset allocations and use more packaged products for equity exposure compared with non-advised investors (Oliver Wyman, 2015).
- Households that use a financial advisor are twice as likely as non-advised households to have \$100,000 or more in retirement savings, and three times as likely to have a retirement nest egg greater than \$250,000 (LIMRA, 2015)
- People who engage a financial advisor are more likely to contribute at least 10% to their employer provided plan, which is the commonly recommended saving rate. This is much higher than the average default contribution rate of 3.4% that unadvised individuals make with automatic enrollment (LIMRA, 2015)
- Advised individuals are more likely to be diversified among a range of products across all ages and income levels. This is especially true for younger and smaller level advisors (Oliver Wyman, 2015).
- Using vast Equifax data, during the Recession and its aftermath, the ratio of advised to non-advised IRA assets in accounts for those making <\$100k/yr grew by over 20% -- a possible indication of the increasing value of investment advice as times get hard (Oliver Wyman, 2015)
- Studies in the UK, during the RDR change—similar to the fiduciary rule—showed that only 19% of individuals currently saving would be willing to pay out-of-pocket for financial advice (Cass Business School, 2013)

Specific points on alternatives

- 78% of Millennials and 70% of Gen Xers endorse using alternatives compared with only 58% of boomers (Natixis, 2014) *AS*
- Investors are much more likely to use alternatives if using an advisor: only 3% of investors were confident or very confident in using alternatives. 67.9% of advisors were confident or very confident in using alternatives (FPA- REISA study, 2011).
- The undisputed value of non-traded and non-correlated assets came to the forefront with the stability of endowments during the Recession, where the diversified endowment model proved vastly superior to the S & P 500 (Reuthers, 2009)