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OPINION

# Why is Rep. Roskam taking aim at a critical protection for retirees?

By: STEWART MATHER August 11, 2017

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The Department of Labor Fiduciary Rule has made its way back into headlines as lawmakers put political weight behind working against it—such as Illinois Representative Peter Roskam's recent reintroduction of the "SAVERS" Act. The Fiduciary Rule would expand today's definition of an "investment advice fiduciary," requiring all financial professionals providing advice on a retirement account to put clients' interests above their own high-earning commissions and fees.

It's obvious the core theme here is conflict of interests. But it's important that Americans understand the many interests at play—those of the retiree and the advisor, and those of Washington and Wall Street.

With 16 years in the industry, I can unequivocally say America is in **a retirement saving crisis**. Since 1977, average life expectancy has risen 6.1 years, yet household savings have fallen from 9.8 percent then, to 5.5 percent today. Twenty-eight percent of US residents have no retirement savings—in Illinois, that number has grown to 36. Sixty-six percent of retirement assets in 1977 were held in pension plans promising lifetime retirement income. Today, pension plans make up only 33 percent of retirement assets. People are living longer, saving less and putting a heavier reliance on Social Security payments—which now comprise 52 percent of low- to middle-income retiree's household income.

Increasing investors' vulnerability to predatory sales practices when the average nest egg is at an all-time low creates a perfect storm of underfunded retirement accounts and a greater strain on working families—and ultimately the broader economy. Illinois residents are already behind the national average, so without the Fiduciary Rule, fees and conflicts will further erode our already limited savings.

So why then are there legislative efforts to shelter the misaligned incentives many financial service firms have deployed against investors for years?

This summer, Rep. Roskam introduced a bill that works against the Fiduciary Rule and claims implementing the regulation would limit low- and middle-income families' access to advice. His paper-thin political spin asserts that the cost of complying with the rule would cause advisors to abandon these families whose low fees wouldn't cover the cost of services. This myth is easily debunked, however, by the success of advisers who leverage technology to advise investors at a fraction of the cost—half or less of the 1.89 percent average annual fee charged by Wall Street.

So, why would Roskam back a bill unabashedly aimed at maintaining excessive levels of compensation paid to financial service firms? Let's examine a potential motivator: **Reports reveal** out of $2.3 million in campaign contributions, 61 percent came from PACs, of which 46 percent was from financial service sources. Additionally, 39 percent came from individuals, of which 39 percent was from those working in financial services. This means 42 percent of his campaign, or $972,000, was funded from financial services.

These facts prove that Wall Street and the financial service firms who profit from weakened oversight, limited disclosure and hidden fees, have a vested interest in seeing the Fiduciary Rule disappear. And lobbyists and politicians like Roskam are brokering the deal.

How do we fight back? We could take Nevada's lead—passing its own legislation requiring all financial professionals adhere to the fiduciary standard, both for retirement and taxable accounts. It's uncertain if they'll face challenges, but a move like Nevada's should motivate Illinois' Securities Department to consider similar legislation.

In the meantime, I suggest Illinois investors start asking questions about who's managing your life savings. Does your adviser have a legal obligation to act in your best interest? Does he or she hold a Series 6 or Series 7 license, allowing them to sell products in exchange for non-transparent commissions and fees?

Until the interests of Wall Street are pushed aside, and Washington starts to implement policy protection for investors, Illinois retirees must learn how to identify who's working in their best interest, and who's just a wolf in sheep's clothing.

*Stewart Mather is a certified financial planner and the founder of The Mather Group in Chicago.*