

Research



DOL's Fiduciary Rule Costs Investors Not Only Choice But Also \$1500

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At a congressional hearing last week one of the most troubling arguments was made in opposition to the [Department of Labor's \(DOL\) proposed fiduciary rule](#). Many retirement savers will be forced to pay adviser fees for investment products and services for which they already have paid a commission-based fee. Considering that a majority (51 percent) of retirement accounts have balances less than \$25,000, having to pay duplicative fees particularly hurts those that need saving and investment advice the most.

According to the Census Bureau, there were [115.6 million American households](#) in 2013. Of those households, [49.2 percent had a retirement account](#). That leaves us with 56.9 million retirement accounts containing [assets totaling \\$7.3 trillion](#). DOL's Regulatory Impact Analysis argues that the proposed rule would put an end to conflicts of interest that it claims come with commission-based retirement advice and argues that, as a result, the fiduciary rule would save investors an estimated \$17 billion each year. That couldn't be further from the truth.

Of that \$7.3 trillion in retirement assets, [86.2 percent is in a commission- or transactional-based account](#), meaning that, instead of paying high fees directly to the adviser simply for his or her advice, the adviser is taking a smaller fee that is a portion of the gains in the account. This translates to roughly \$6.3 trillion in assets in retirement accounts on which a commission-based fee has already been paid. If DOL's fiduciary rule is enacted as proposed, each of those accounts will be moved to a fee-based account (assuming they won't be closed entirely for [lack of a profitable minimum balance](#)), thereby forcing retirement savers to pay an adviser fee on top of the commission they've already paid.

Even with a fee of just 1.2 percent (The lower the balance in the account, the higher the fee, and vice versa. So with [91 percent of retirement accounts containing less than \\$250,000](#), chances are the average adviser fee would be much higher.) that's \$75.6 billion in duplicative fees on American retirement accounts, or an average of over \$1500 per household account. These people saving for retirement shouldn't be forced into fee-based accounts that they don't want, and they certainly shouldn't be forced to pay twice for those services – especially when that second payment is \$1500 or more.