

The Market for Retirement Financial Advice

Wharton Pension Research Council

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Outline of Response

- **Summary of Papers**
- **Regulatory Observations**
- **Financial Education Comments**

Paper #1: Explaining Risk to Clients

- **Paula Hogan & Frederick Miller**
- **Advisory deliverable is shifting from focus on *product* through *policy* to *process***
- **End point is murky**
 - “Soft” skills are needed
 - More research on balance between managing investments and managing clients
- **Financial education is an issue**
 - Clients can’t communicate important info
 - Clients don’t understand their plans

Paper #2: Harmonizing the Regulation of Advisers

- **Arthur Laby**
- **Historical overview of debate over harmonization**
 - SEC: Dating back to the 1930s and 1940s
 - The Court: *Financial Planning Association vs. SEC*
 - Congress: Dodd-Frank
 - SEC: Study on Investment Advisers and Broker-Dealers (2011)
- **Developments transforming the debate—SEC must...**
 - be sensitive to demands for an empirically-based CBA
 - work closely with DOL
 - be mindful of calls for an SRO for investment advisers

Paper #3: Regulating Financial Planners

- **Jason Bromberg and Alicia Puente Cackley**
- **Primer on the regulation of financial planners**
- **Four possible futures**
 - Creation of a Board to oversee financial planners
 - Augmenting oversight of investment advisers with an SRO
 - Extending coverage of the fiduciary standard
 - Clarifying financial planners' credentials and standards
- **Authors conclude that existing statutes and regulations are sufficient, but some problems remain. Namely...**
 - Consumer confusion over standards
 - Consumer confusion about credentials

General Observations—Market Regulation

■ Investment Adviser Examinations

- Gap in investment adviser oversight is significant
- Draft legislation would establish the framework for an SRO
- Consumers would benefit from additional SRO protection

■ How FINRA Would Oversee Investment Advisers?

- Tailor regulatory oversight
- SRO should have limited rulemaking authority
- Important differences between BDs and IAs, similarities as well

■ The Fiduciary Standard

- SEC took an important step toward a single, fiduciary standard
- What's in the best interest of customers?
- Recognize the variety broker-dealer business models

General Observations—Financial Education

- **Financial education**
 - Form of consumer protection
 - Complements advice—does not replace it
- **Designations and titles**
 - Often used in financial fraud
 - FINRA Professional Designation Database
- **Disclosure**
 - FINRA Concept Release
- **More research**

Thank You