



September 26, 2013

Dear Representative:

On behalf of millions of members nationwide and all Americans age 50 and older, AARP would like to take this opportunity to express our strong opposition to H.R. 2374, the so-called Retail Investor Protection Act. AARP believes that hard working Americans who invest for their future should be able to trust that the investment advice they receive is based on sound economic principles and protected from financial conflicts of interest. As such, planned updates to the relevant Securities and Exchange Commission (SEC) and Department of Labor (DOL) regulations pertaining to investment advice should be allowed to proceed unimpeded to better reflect the current marketplace and ensure that American investors' interests are protected.

AARP is the largest nonprofit, nonpartisan organization representing the interests of Americans age 50 and older and their families. Nearly half of our members are employed, full or part-time, with many participating in employer-provided retirement plans. A major priority for AARP is to assist Americans in accumulating and effectively managing adequate retirement assets to supplement Social Security.

In order to help individuals make appropriate investment decisions so that they have adequate income to fund their retirement years, AARP shares the goal of increasing access to investment advice for individual retirement account plan participants. To that end, we have consistently asserted that such advice must be subject to the Employee Retirement Income Security Act's (ERISA) fiduciary rules, which are based on sound investment principles and protected from conflicts of interest. The recent financial turmoil and scandals underscore this imperative that the standards governing industry practices involved in rendering investment advice are fair, clear and easy to understand.

As you know, ERISA fiduciary protections are the basic rules that protect workers' retirement savings from being lost through fraudulent or deceptive financial management by trustees or advisors. With the shift from traditional pensions to 401(k) type plans over the last several decades, more and more people are on their own these days when it comes to making important decisions about their retirement savings. These decisions can be complicated and many individuals turn to investment professionals for help. But despite this transformation of the retirement savings marketplace, key components of ERISA's fiduciary rules have not been updated since 1975.

The SEC also is considering updating its regulations with respect to investment advice in order to more fully address the issue of brokers who market themselves as trusted "financial advisers" but act and are regulated as salespeople, without any obligation to put the interests of their clients first. As a result of this regulatory loophole, so-called "financial advisers" are free to recommend investment products with high costs and poor performance, or that expose the investor to

unnecessary risks. Middle income Americans who need to make every dollar count simply cannot afford investment advice that can cost them thousands of dollars over the years.

Whether it is in the context of retirement savings or investing for another purpose, most American consumers assume that financial professionals provide investment advice based on the best interests of the person they are advising. But that is not always the case. Unless an advisor has a “fiduciary duty” – a legal requirement to act in the consumer’s best interest – he or she could be providing advice that is more designed to improve their own financial prospects than the consumer’s.

As such, the SEC and DOL should be allowed to update these rules through the standard regulatory process. H.R. 2374 would impede that process by first imposing new burdens on the SEC intended to delay or derail altogether fiduciary rulemaking at that agency. The legislation ties DOL to that process, effectively preventing their fiduciary rulemaking from moving forward.

AARP believes that an individual’s retirement savings are too important to be put at risk by outdated rules that allow some financial advisers to care more about their own personal financial interests than they do about those they are advising. As such, AARP opposes H.R. 2374. If you have any questions or need additional information, please feel free to call me, or have your staff contact Mary Wallace or Tom Nicholls of our Government Affairs staff at [202-434-3943](tel:202-434-3943).

Sincerely,

Joyce A. Rogers

Senior Vice President

Government Affairs