

To Help Americans in Crisis, Congress Must Restore Deduction for Financial Advice

We are experiencing an unforeseen and unprecedented public health and economic crisis affecting our communities, our country, and the world at large. While many are rightly focused on responding to immediate and critical public health issues, financial professionals – including investment advisers, certified financial planners, and other financial advisors – are working hard to help American taxpayers make wise decisions about their finances in the coming weeks, months and beyond. Unfortunately, too many American households and workers lack access to competent and ethical financial advice to help them survive, emotionally and financially, during these extremely difficult times.

Congress recognized the value of professional investment and financial planning advice by providing a tax deduction for those services (26 U.S.C. § 212). Congress repealed that limited deduction in 2017 when it passed the Tax Cuts and Jobs Act (TCJA) signed into law by President Trump. An unintended consequence of this repeal has been that it raised the cost of financial advice that is critical to Main Street investors and workers saving for retirement.

The repeal of this deduction may have appeared inconsequential in light of 2017's rising stock market, sustained job growth and slowly increasing real wage growth. But in this moment of crisis, millions of Americans, including many near retirement, are watching the money they worked so hard to earn and to save for a secure retirement evaporate virtually overnight. In fact, the VIX, commonly known as the "stock market fear index," in recent days has been at the highest "fear levels" ever. Every day, Americans are frightened by the extreme stock market volatility, the deteriorating business environment and the state of their personal household finances. They are confused and unsure about what steps they must take immediately – and later, as we come to grips with the longer-term impact of the COVID-19 pandemic. These Main Street investors realize tremendous immediate benefits when they have access to affordable, professional financial advice to help them manage their finances. Access to such advice is even more important in these turbulent times.

As part of its response to this unprecedented emergency, Congress should restore the pre-2017 (pre-TCJA) tax deduction for investment advisory fees. Further, Congress should restore the deduction without the 2% Adjusted Gross Income (AGI) threshold that was part of the pre-2017 law. This threshold, which permitted tax deductions only to the extent they exceeded 2% of a taxpayer's AGI, unfairly benefitted upper-income households more than middle income households. All taxpayers need help to obtain the critical financial advice they need now and this deduction should be available to all American households regardless of income.

We ask that Congress restore and expand this deduction under 26 U.S.C. § 212 to encourage savers to seek advice and guidance from financial professionals as they navigate this crisis to ensure that it does not imperil their retirement, college plans, home buying, or even basic needs. This deduction would significantly benefit individuals and families struggling with their finances as a result of COVID-19.

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