

SURVEY: VAST MAJORITY OF U.S. INVESTORS SUPPORT CLEAR “FIDUCIARY STANDARD” FOR FINANCIAL PROFESSIONALS, WIDESPREAD CONFUSION SEEN LINKED TO CURRENT SEC RULES

CFA/AARP/NASAA/Industry Survey Finds Most Investors Mistakenly Think Financial Professionals, Insurance Agents Already Held to Fiduciary Duty; 91 Percent Support Even-Handed Regulatory Approach From SEC.

WASHINGTON, D.C.///September 15, 2010///As the U.S. Securities and Exchange Commission (SEC) weighs feedback on how to implement new financial reforms enacted by Congress, a major new national survey of investors shows that most U.S. investors are confused about which financial professionals are required to operate under a “fiduciary standard” requiring the financial professional to put their client’s interest ahead of their own. At the same time, the vast majority of U.S. investors believe that all financial professionals providing investment advice should be required to operate under such a pro-investor standard, according to the new survey.

The poll of 1,319 investors was conducted August 19-23, 2010 by ORC/Infogroup for the Consumer Federation of America, AARP, the North American Securities Administrators Association, and leading investment adviser and financial planning organizations, including the Certified Financial Planner Board of Standards, Inc., the Investment Adviser Association, the Financial Planning Association and the National Association of Personal Financial Advisors.

Chief survey findings include the following:

- Nine out of 10 U.S. investors (91 percent) think that “a stockbroker and an investment adviser (who) provide the same kind of investment advisory services ... should have to follow the same investor protection rules.”
- Nearly all investors (97 percent) agree that “when you receive investment advice from a financial professional, the person providing the advice should put your interests ahead of theirs and should have to tell you upfront about any fees or commissions they earn and any conflicts of interest that potentially could influence that advice.”
- Nearly all U.S. investors (96 percent) agree that the fiduciary requirement should extend to insurance agents selling investments.
- At the same time, there is widespread misunderstanding about which financial professionals are held to the fiduciary standard:
 - Three out of five U.S. investors mistakenly think that “insurance agents” have a fiduciary duty to their clients.
 - Two out of three U.S. investors are incorrect in thinking that stockbrokers are held to a fiduciary duty.
 - 76 percent of investors are wrong in believing that “financial advisors” – a term used by brokerage firms to describe their salespeople -- are held to a fiduciary duty.
 - By contrast, 75 percent of investors think the fiduciary standard is in place for “financial planners” and 77 percent say the same about “investment advisers.”

Barbara Roper, director of investor protection, Consumer Federation of America, said: **“This survey confirms that investors are clueless when it comes to the different standards of care that apply to brokers and investment advisers. They don’t even understand the differences between brokers, investment advisers, and financial planners, let alone that they are subject to different legal obligations to the client when they perform the same services. This lack of understanding is not**

because investors are stupid; it is because, bluntly stated, the policy itself is stupid. No one in their right mind would create a system in which individuals who call themselves by titles and offer services that are indistinguishable to the average investor are subject to two different standards when they do so. But this is precisely the world that SEC policy over the past two decades has helped to create. Now, Congress has given the SEC a chance to fix those past errors by adopting a policy that makes sense to investors and puts their interests first. ”

Denise Voigt Crawford, Texas Securities Commissioner and president of the North American Securities Administrators Association, said; **"Because we see the devastating effects of what happens when the interests of investors are pushed into the background, state securities regulators have consistently urged policymakers to give investors what they have long deserved. And that is to require all who provide investment advice to be held to the fiduciary duty currently applicable to investment advisers as established by the Investment Advisers Act of 1940. We encourage the SEC to listen to the voice of investors as expressed in this survey and do the right thing. Apply the fiduciary duty of the Investment Advisers Act to those who provide investment advice about securities."**

AARP Executive Vice President Nancy LeaMond said: **"Older Americans expect financial professionals to put their client's interest ahead of their own when giving investment advice, but that's not a requirement for all professionals today. As investors seek to recover from the devastating losses they suffered in the recent financial crisis, the need for the SEC to be a watchdog for investors is even more urgent. This is of particular importance to older investors, who have less time to recoup their losses as they approach retirement."**

Robert Glovsky, JD, LL.M., CFP®, chair of the Board of Directors, Certified Financial Planner Board of Standards, Inc., and president, Mintz Levin Financial Advisors LLC, Boston, said: **"Financial planners successfully operate in a variety of different business models and fee structures -- including brokerage and insurance models and commission-based structures. They are able to successfully provide financial planning services at a fiduciary standard of care. Our experience is strong evidence that the fiduciary standard is a practical, flexible, and workable standard no matter if the advisor is a stock broker, insurance agent, investment advisor or financial planner. Contrary to some who suggest that requiring the fiduciary standard will hurt consumers by increasing costs and reducing services, our experience is just the opposite: providing services with fiduciary accountability is good for the customer and good for business."**

David Tittsworth, executive director, Investment Adviser Association, said: **"Investment advisers have been subject to the fiduciary duty standard under the Investment Advisers Act for many decades. We strongly urge the SEC to ensure that the Advisers Act fiduciary duty standard is not watered down or weakened as it implements the Dodd-Frank bill. Others who provide investment advice to individuals should be subject to this same standard of care in order to provide consistency and for the protection of investors."**

The organizations sponsored the survey in response to concerns that the SEC is receiving extensive feedback from financial industry groups, but relatively little from the U.S. investing public. As required by the Dodd-Frank Act, the SEC has solicited public input, comments, and data on issues related to the effectiveness of existing standards of care for brokers-dealers and investment advisers, and whether there are gaps, shortcomings, and other problem issues in the current legal or regulatory standards.

The new survey updates earlier poll findings released in 2004 and 2007 by the Consumer Federation of America.

OTHER KEY SURVEY FINDINGS

- Over three out of five American investors mistakenly believe that stockbrokers are investment advisers: Roughly a third of investors (34 percent, including 41 percent of 18-34 year olds and 45 percent of African Americans) incorrectly think that financial advice is the "primary service" offered by

stockbrokers; and another 27 percent believe that “advice and assistance in conducting transactions are equally important services offered by brokers.” (In reality, brokers are exempt from regulation as investment advisers, and the fiduciary duty that accompanies such regulation, on the grounds that investment advice is only an incidental component of their brokerage activities.) Only about three in 10 investors (29 percent) understand that the primary service of stockbrokers is to “buy and sell stocks, bonds, mutual funds, and other investment products on behalf of their clients, and they give only limited advice that is directly related to those transactions.”

- More than nine out of 10 U.S. investors (93 percent) think that stockbrokers should be required to disclose conflicts of interest in advance, including cash “or other forms of compensation from a mutual fund company as an inducement to sell a particular mutual fund to his or her clients ...”

For full survey findings, go to <http://www.hastingsgroup.com/fiduciarysurvey>.

SURVEY METHODOLOGY

The ORC/Infogroup survey was conducted August 19-23, 2010 among a sample of 2,012 adults comprising 1,007 men and 1,005 women 18 years of age and older living in the Continental United States. Most questions were asked only of those 1,319 who identified themselves as investors.

Where applicable, results for some questions were compared to similar telephone surveys of investors conducted in 2004 and 2007. Completed interviews were weighted by four variables: age, gender, region and race to ensure reliable and accurate representation of the total population, 18 years of age and older.

The margin of error for results based on the total sample is plus or minus 3 percentage points.

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EDITOR'S NOTE: A streaming audio recording of the news event will be available on the Web as of 5 p.m. EDT on September 15, 2010 at <http://www.hastingsgroup.com/fiduciarysurvey>.