What You Need to Know about Retirement "Conflicts of Interest," in Three Big Sentences:

/blog/author/Lindsay Holst  /blog/author/Lindsay Holst
Lindsay Holst

February 23, 2015
10:35 AM EST

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ing major actions to update the rules in place to protect you and your retirement savings.

What exactly is a retirement "conflict of interest" and why should you care? Read on for a quick primer. And if you're really short on time, just skip to the second big sentence to get a sense of what this means to the average American worker.

Want to dig deeper? Take a look at the new report released by the President's Council of Economic Advisors today, which gives an in-depth breakdown of how these conflicts of interest are hurting the middle class right now.

Under our current system, your advisor can accept a back-door payment or hidden fees for directing you toward a retirement plan that's not in your financial best interest. And it's completely legal.

As it turns out, what's legal is often the worst scandal. Right now, your financial advisor -- someone who's supposed to be acting in your best interest -- can direct you toward a high-cost, low-return investment rather than recommending a quality investment that works better for you. That's because those lower-return investments come along with hidden fees that benefit their Wall Street firms on your dime.

Check out this quick video from the Department of Labor to get a breakdown of the problem:

On average, these conflicts of interest result in annual losses of about one percentage point for affected investors.

One percent a year may seem small -- but you'd be surprised at how quickly it adds up.

Let's look at an example:

Meet Stella, a 45-year-old worker who is rolling her $100,000 401(k) into an IRA. If she gets conflicted advice from her broker -- exactly the kind of advice that's legal for them to give right now -- she could lose an estimated $37,000 by the time she turns 65.

You read that right. That's $37,000 that would otherwise have been in Stella's pocket, if not for backdoor payments and hidden fees encouraging her financial advisor to put his interests ahead of hers.

Now, let's be clear for a second: Many advisors don't accept hidden fees. They work on a business model that puts their customers' best interests first. They are hardworking men and women who got into this work to help families achieve their dreams. But how are you, the investor, supposed to know who you can trust? Outdated regulations, loopholes, and fine print make it hard to know the answer to that question.

We're fixing it by making the system more transparent.

Remember the housing crisis? We already know what happens when outdated policies allow lenders to direct their customers toward bad products. That's why the President created the Consumer Financial Protection Bureau, a watchdog on the beat to protect Americans from the abusive practices that predated the crisis.

And that's why we're taking action to fix the retirement advice market.

Today, the President is directing the Department of Labor to crack down on Wall Street to protect families from conflicted retirement advice. That would kick off a rulemaking process that would require all retirement advisors to abide by a "fiduciary," or trust standard. In short, that means they'd be required to put their client's best interest before their own profits.

Here's what happens next:

In the months to come, the Department of Labor will issue a "notice of proposed rulemaking." That's a fancy way of saying they'll be kicking off the public-feedback process. Americans like you will be able to weigh in on the best approach to modernizing the rules on retirement advice and set new standards. So keep an eye out.

Now, dig deeper:

- Take a look at this fact sheet for a more in-depth look at today's announcement.
- Read today's report from the Council of Economic Advisors, elaborating on the problem and who it affects.
- Learn more about conflicts of interest -- and how the Department of Labor will act.
- See what other steps the President is taking this week on behalf of working families.

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