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Measuring Costs and Benefits of DOL's Fiduciary Proposal

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Why Is the Cost-Benefit Analysis Crucial?

- ICI agrees with DOL: Financial advisers should be held to a best-interest-of-their-clients standard
- But DOL's proposal creates a high-cost, high-burden approach
  - ICI has suggested changes to make rule workable, less costly
- To justify its costly solution, DOL must demonstrate large benefits from rule (*i.e.*, high costs from current system)
- Unfortunately, DOL's impact analysis falls far short

How DOL's Impact Analysis Went Astray

- DOL relies on academic studies that:
  - Don't reflect current market competition or performance data
  - Reflect performance experienced by funds—*not* by investors
- DOL misapplies results of those academic studies
- DOL should have:
  - Done its own analysis with current fund performance data
  - Used sales- or asset-weighted data to reflect investor experiences

Do Broker-Sold Funds "Underperform"?

Performance of broker-sold funds	Percent annual rate
DOL/CEA claimed underperformance of broker-sold funds	-1.00%
Performance of investors in broker-sold funds relative to their Morningstar averages (2008–2014)	+0.27%
Performance of investors in broker-sold funds relative to retail no-load funds (2010–2014)	-0.07%

DOL's Rule Could Strand Small Investors, Who Hold 76% of Traditional IRA Accounts

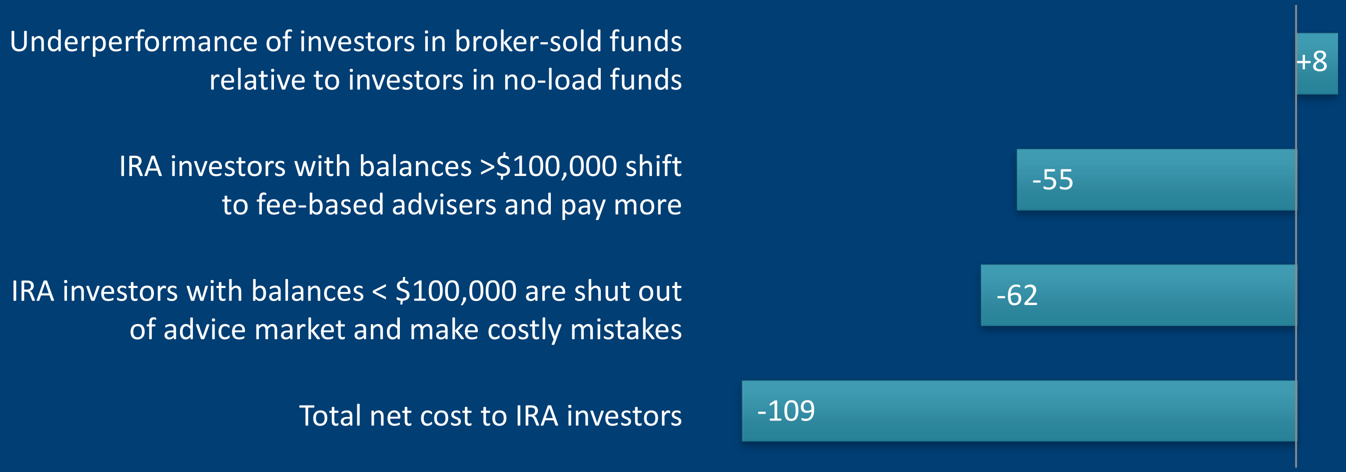
Percentage of total by size of account balance

Source: The IRA Investor Database™

Net Cost of DOL Proposal: $109B over 10 Years

Cost(-)/Benefit(+)

Billions of dollars



Thank you.