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Via email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

Elizabeth M. Murphy, Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549-1090

**Re: Comment Request on Existing Private and Public Efforts to Educate Investors**  
(Release No. 34-64306; File No. 4-626)

Dear Ms. Murphy:

Fidelity Investments<sup>1</sup> (“Fidelity”) appreciates the opportunity to respond to the Securities and Exchange Commission’s (“SEC” or “Commission”) request for comment to help inform its study of existing public and private investor education efforts (“Study”),<sup>2</sup> as required by Section 917 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“the Dodd-Frank Act”).<sup>3</sup> Our comments address the financial literacy of retail investors, including their understanding of the investment process and their ability to make informed investment decisions.

Fidelity has long sought to provide investors the tools they need to make informed investment decisions. To this end, Fidelity provides an array of educational offerings, free of charge, across accounts and products, both proprietary and non-proprietary, on our platform. Investors can pick and choose among these offerings, via a variety of media, depending on their level of interest and sophistication. A sample of our offerings includes:

- Seminars, forums, and Webcasts hosted by Fidelity nationwide at Fidelity investor centers, regional sites, employee worksites, and on Fidelity’s Websites concerning a variety of investing topics that range from explanations of the importance of asset allocation and diversification to more targeted topics such as college savings choices and fundamentals of retirement income planning;
- Online educational resources to help novice and experienced investors learn more about financial topics in which they are interested. These resources include more than seventy free, online educational modules offered by Fidelity’s Trading Knowledge Center on [www.fidelity.com](http://www.fidelity.com), on a variety of topics ranging from introductory materials (e.g., an introduction to fundamental

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<sup>1</sup> Fidelity Investments is one of the world’s largest providers of financial services, with assets under administration of more than \$3.7 trillion, including managed assets of more than \$1.7 trillion. The firm is a leading provider of investment management, retirement planning, portfolio guidance, brokerage, benefits outsourcing and many other financial products and services to more than 20 million individuals and institutions, as well as through 5,000 financial intermediary firms.

<sup>2</sup> Comment Request on Existing Private and Public Efforts to Educate Investors, *76 Fed. Reg. 78,22740* (Apr. 22, 2011).

<sup>3</sup> Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376 (2010), hereinafter “Dodd-Frank”.

analysis) to more advanced materials (e.g., guidance on using multi-leg options when investors have a bullish or a bearish outlook);

- A Website updated daily with high-quality, objective editorial content meant to help customers make better financial decisions and be more successful in their financial lives; the content featured comes from sources such as *The Wall Street Journal*, *Kiplinger*, *SmartMoney*, *Fortune*, *Money*, *Bankrate*, *Reuters* and *Fidelity Interactive Content Services*, and is all offered free of charge; over the past six months investors have accessed these articles more than three million times;
- A wide range of financial planning content and tools, offered for free, that provide investors (customers and non-customers) investment analysis guidance and that can be used online or one on one with a Fidelity representative, in person or over the phone;

Based on our extensive experience providing financial education to investors and the measurements and feedback we have received on our programs, we have observed the following:

- Retail investors increasingly are seeking information on investing and personal finance topics, given recent market events and the number and complexity of investment options, accounts, and products available in today's marketplace;
- Effective investor education programs build simple, clear communications that drive investors to action and can be accessed by investors through a variety of media;
- Private sector efforts to create financial literacy can be effective, both for current and future investors;
- Regulatory reform efforts should seek to enhance the ability of financial service companies to provide investment education to investors.

To help inform the Study, we provide an overview of our experiences regarding investor need for financial education, describe important characteristics of effective investor education programs, and provide comments regarding why private efforts to educate investors are effective and why current regulatory reform efforts should not impede these efforts.<sup>4</sup>

## I. Investor Need For Financial Education

Recent market turmoil has tested investors' resolve, leading them to seek education and guidance from their financial services providers. Our data show that an investor's desire for education on his or her investments during good economic times becomes an absolute necessity during times of market volatility and at certain key lifecycle points. For example:

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<sup>4</sup> We understand that the SEC's Office of Investor Education and Advocacy is reviewing existing private and public investor education efforts of which it is aware. Our comments are designed to address not only the specific area on which the SEC has sought comment on but also more global comments on this topic.

- *Concerned investors are seeking financial education.* Since 2008, the number of investors attending seminars at a Fidelity investor center has jumped nearly 30%. In response, in 2010, we hosted more than 20,000 live investor forums with more than 532,000 investors attending an educational event in person at either a Fidelity investor center or at their workplace, in addition to Web participation. In 2010, Fidelity fielded over 16.2 million phone calls, or an average of 64,000 calls per day, including both service and sales calls.
- *Investors are requesting more insight into investing topics both to keep informed and to help navigate ongoing market volatility.* In response to investor requests, we increased the frequency of our *Fidelity Viewpoints*® – targeted, educational articles, on a wide range of investing topics that are written by the firm’s money management experts and highlight timely investing perspectives, market, and economic commentary. Over the past two years, investors have viewed these articles, offered free of charge on our Website to customers and non-customers of Fidelity, more than four million times.
- *Investors are looking for guidance across all their accounts to help them meet their financial goals.* A recent Fidelity survey found that over 90% of our customers indicated that they wanted some form of either basic educational guidance or customized guidance in connection with their various investment accounts (brokerage, 401(k), IRA). Fidelity has seen a dramatic increase in the use of our investment analysis guidance tools such as the Fidelity’s Portfolio Review and Retirement Income Planner, which provide complimentary guidance interactions across all of an investor’s accounts. In 2010, Fidelity provided more than 1.4 million guidance interactions to both customers and non-customers. This represents an 11% increase over 2008 levels.

Why are investors seeking financial education? Fidelity’s research indicates that, given the number of choices available in the marketplace, investors seek education not only prior to making a financial decision but also as validation of any choice they have made; moreover, our research indicates that this guidance can help to improve investing outcomes. By way of example, based on a six-month workplace analysis that Fidelity performed in 2010, workplace plan participants who used our guidance tools increased their deferral savings rates (on average) by about three percentage points; for asset allocation, 40% of those plan participants who used our online investment analysis tool, Portfolio Review, initiated a change to their asset allocation. We have also found that participants whose Plan Sponsors offer access to education and guidance through planning tools, workshops, and one-on-one consultations are 35% more likely to make age appropriate investment allocations than participant in plans without such an offering.

## II. Characteristics of Effective Investor Education Programs

### A. *Effective Investor Education Programs Contain Clear, Targeted Communications*

Our experience is that simple, clear communications help empower investors to make investing decisions that are in their best interests. Too much information can overwhelm investors, leading to confusion and/or inaction. Clear communications increase a retail investor’s ability to make informed investment decisions, particularly if the information is packaged in a format and context that is understandable and actionable by the average investor.

Effective investor education programs also provide investors information that is relevant and understandable to them at a given point in time. Fidelity has found that the information needs of an investor vary depending on the life stage of the investor. Fidelity has responded by providing a lifetime engagement model that provides guidance to investors at all life stages. For example, Fidelity provides planning-directed communications on such topics as: Getting Started (which provides an overview of the essentials of savings), Staying on Track (planning for retirement and other financial goals), Managing Transitions (managing important transitions, such as moving jobs), and Securing Retirement (turning retirement savings into income). We have found that clear, targeted information is vastly more useful to investors than voluminous, one-size-fits-all approaches. Moreover, by engaging investors at various life stages, we have found that we can provide educational content designed to anticipate and to meet investor needs at a given point in their life.

*B. Effective Investor Education Programs Contain Actionable Steps for Investors*

Fidelity has found that simply providing financial educational information to investors is not enough. Investors respond best to communications that provide education and contain actionable steps to help investors achieve their goals. We therefore strive to provide educational content and actionable steps designed to meet investor needs at a given point in their life.

By way of example, nearly three million Baby Boomers will turn 65 this year – about 7,500 per day – and begin to transition into retirement. A recent Fidelity study found that 62% of pre-retirees heading toward retirement feel anxious or stressed about making the transition from saving for retirement to living off those savings in retirement. Despite this concern, three out of four (75%) pre-retirees do not have a formal retirement income plan in place. Educational information alone is not enough to help these pre-retirees map out how they will support themselves financially in retirement.

In response to this need, earlier this year Fidelity designed a program to help educate pre-retirees and early retirees on different investment vehicles that can provide income in retirement. As part of the program, Fidelity hosted free, educational events and seminars nationwide where investors not only learned about investing concepts and had the ability to speak one-on-one with Fidelity investment professionals, but also had the ability to use Fidelity's new, online retirement income planning tool, Fidelity's Income Strategy Evaluator<sup>SM</sup>. This new tool is designed to help investors nearing or early in retirement assess their income needs and structure a portfolio and withdrawal strategy to help ensure that their specific sources of retirement income and expenses are aligned throughout retirement. Based on our educational and guidance efforts during the first quarter of 2011, Fidelity completed over fifty-four thousand retirement income plans for this age demographic, a 55% increase over the same period last year.

*C. Effective Investor Education Programs Can Be Accessed Through a Variety of Media*

Fidelity has found that different investors have different preferred means of accessing information. Effective investor education programs provide investors with the flexibility to access information in a manner most useful to them, whether that is a one-on-one interaction, or via print, electronic, or social media. Traditionally, Fidelity has relied more heavily on printed materials to communicate with investors. In recent years, we have learned through research that printed materials are often a less effective means of communicating with investors than other forms of communication. As a result, today, in addition to printed media, Fidelity provides content to investors through a variety of media, such as:

- **Live Media:** Fidelity representatives speak with investors in person at workshops and seminars at our investor centers and employee work sites and in one-on-one consultations over the phone, on-site, or at our investor centers;
- **The Web:** Electronic media, such as Websites, can play an integral role in delivering investor education to a broad range of retail and retirement investors. These sites can be interactive and can provide the necessary disclosures and information in a user friendly format. Recognizing that investors want the freedom to view financial information where and when they want, Fidelity has devoted significant resources to our Websites. As a result, both our *Fidelity.com* Website for retail investors and *NetBenefits.com* Website for retirement plan participants have won industry awards but more importantly are accessed by millions each day for financial information regarding a variety of topics;<sup>5</sup>
- **Emerging Technologies:** Faster wireless networks and the rise of social media are accelerating mobile connectivity. We believe that growth of the mobile internet represents the next major technological shift. Recognizing the importance of these mobile platforms and devices, Fidelity provides the means for investors to stay connected with us through emerging technologies such as Twitter, Facebook, click-to-call, instant messaging, mobile applications, and interactive communities.

The development of the Web, social media and emerging technologies underscores the different ways in which today's investors use and seek access to financial information. Each investor wants access to financial information on his or her own schedule. Content delivered via the Web, social media, and through emerging technologies allows investors the freedom to view content at a time and location of their choice. Given the rapid changes in technology and high investor use of new technologies, Fidelity strongly believes that regulatory initiatives should be flexible to provide the opportunity to adapt to changing technology and to allow for the individual needs of present and future investors.

### III. The Role of Private Sector Efforts

Private sector efforts to create financial literacy can be effective, both for current and future investors. For example, because the guidance Fidelity presents to investors is available free of charge to both customers and non-customers, many of our offerings are used by those who need it the most. In a recent Fidelity survey, nearly three out of every four plan participants who participated in an online retirement planning session had an account balance of less than \$50,000 and 75% were under the age of fifty. It is unclear where else this group of investors could turn for immediate, no-cost guidance of the kind Fidelity offers.

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<sup>5</sup> Fidelity.com was named a 2010 Best of the Web Performance Gold Award Winner by Compuware Corporation the technology performance company. See GOMEZ, GOMEZ BEST OF THE WEB 2010: WEB AND MOBILE PERFORMANCE AWARDS, 8 (Compuware Corporation) (2011), available at <http://www.gomez.com/wp-content/downloads/Best-of-Web-2010.pdf>. The annual Gomez Awards report showcases the leaders in Web and mobile site performance across six industries – retail, finance, travel, media, healthcare and government. Netbenefits.com was voted #1 in kasina's 2010 Top 5 Websites for plan participants. See KASINA, TOP 5 WEB SITES FOR DC PLAN SPONSORS AND PARTICIPANTS, Apr. 6, 2010, available at <http://kasina.com/Page.asp?ID=1060>. kasina is a consulting and research firm to the asset management and insurance industries.

From a timing and technology standpoint, the private sector has the ability to respond quickly to investor needs. Given the nature of our business, investors speak with us on a daily basis concerning specific events or issues occurring in the market place. This direct line to investors allows us to create timely communications that can help explain recent events and help investors put issues into perspective.<sup>6</sup> The private sector also has the technological resources to keep pace with innovation. Our technology associates continuously observe the marketplace and build novel and useful content for investors. For example, Fidelity and other private sector firms have recently developed Apps for investor use on the Apple iPhone®, iPod touch®, and iPad®. These free Apps allow investors to monitor their portfolio, trade, research investments, and follow today's market news—virtually whenever, wherever they want.

Importantly, the private sector helps to create financial literacy among future investors. Through our Community Relations group, Fidelity sponsors and/or conducts financial literacy programs for public school children, often in underserved, minority-dominated communities, in regions of the United States in which Fidelity operates. Many of these programs are designed to provide students an understanding of the fundamentals of investing, including key concepts such as compounding, diversification, risk, and defining goals. Other programs, such as Fidelity's sponsorship of the SIFMA Foundation's Stock Market Game Program, are dedicated to fostering knowledge and understanding of the financial markets for individuals of all backgrounds. In addition to providing financial support for these programs, Fidelity employees volunteer their time at many of these programs by, among other things, explaining their jobs to students, emphasizing the importance of staying in school and discussing what it takes to survive financially in the "real world." Many of these programs involve pre/post measurements; learning assessments indicate student knowledge about investing increases significantly as result of this training.

#### IV. Additional Comments

In the current regulatory environment, several regulatory agencies have issued or will issue disparate proposals on disclosure to be provided to retail investors concerning the nature of costs and services provided to them by their financial service provider.<sup>7</sup> Fidelity strongly believes that retail investors benefit by understanding the nature and costs of accounts and services provided to them by financial service providers with whom they do business. However, like the educational programs discussed in this letter, in order for disclosure to be effective to retail customers, it needs to be structured in a manner that permits clear, targeted communications that lead to investor understanding and that can

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<sup>6</sup> These communications are subject to regulatory scrutiny: they are distributed by a firm's broker-dealer, and are subject to the rules of the Financial Industry Regulatory Authority (FINRA), which requires the content to be, among other items, fair, balanced, and not misleading to investors.

<sup>7</sup> Dodd-Frank § 913 directs the SEC to facilitate the provision of simple and clear disclosures to investors regarding the terms of their relationships with brokers, dealers and investment advisers, including any material conflicts of interest; Dodd-Frank §919 grants the SEC authority to issue rules designating documents or information that shall be provided by a broker or dealer to a retail investor before the purchase of an investment product or service by the retail investor; FINRA, REGULATORY NOTICE 10-54: DISCLOSURE OF SERVICES, CONFLICTS AND DUTIES (Oct. 2010), available at

<http://www.finra.org/Web/groups/industry/@ip/@reg/@notice/documents/notices/p122361.pdf>, proposes a form ADV-type document for broker-dealers to deliver to retail investors; FINRA, REGULATORY NOTICE 09-34: INVESTMENT COMPANY SECURITIES (June 2009), available at

<http://www.finra.org/Web/groups/industry/@ip/@reg/@notice/documents/notices/p119013.pdf> (proposing Rule 2341) proposes obligations on broker-dealers to disclose to retail investors certain conflicts associated with the sale of investment company securities; we also note disclosure regimes announced by the Department of Labor under 29 C.F.R. §2550 (Section 408(b)(2) of ERISA) to help ensure that plan sponsors and plan participants understand the fees and expenses associated with their investments.

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be accessed through a variety of media. Agencies should coordinate rulemaking efforts to avoid inconsistencies in disclosure requirements that may lead to confusion among retail investors. Given the demonstrated need by investors for financial education, regulatory initiatives across agencies should seek to encourage, and not hinder, access to the guidance and education that retail investors seek.

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We thank the Commission for considering our comments. Please contact me should you have any questions concerning this letter.

Sincerely yours,



cc: The Honorable Mary L. Shapiro, Chairman  
The Honorable Kathleen L. Casey, Commissioner  
The Honorable Elisse B. Walter, Commissioner  
The Honorable Luis A. Aguilar, Commissioner  
The Honorable Troy A. Parades, Commissioner