Americans deserve financial advisors that act in the customers best interest.

Most investors assume advisors do exactly that. The reality is that many brokers raid their clients’ savings by pushing them into high-fee products that pay the broker and them a commission, even if those investments are not the best choice for the client. It happens every day. It costs consumers billions.

In fact, a 2015 report from the US Council of Economic Advisors found that these conflicts cost Americans as much as $17 billion a year - money that could have used to put children through college, pay off mortgages, or fund retirements.

While the Best Interest Standard is a step in the right direction, it should go further to require both brokers and advisors to truly operate in their clients’ best interests at all times. Investors and retirement savers, at a minimum, deserve the following protections:

1) **The Whole Truth**

A true best interest standard is the fiduciary standard, which requires that clients’ interests always come first. Registered Investment Advisors already abide by this standard, but brokers are not required to. Institutions that do both, called dually-registered broker/advisors, can be confusing for investors who can’t tell which hat their advisor is wearing at any given moment.

In its current form, the proposal says brokers need a “reasonable basis” to believe their advice is in a customer’s best interest. Yet it never defines what “best interest” or “reasonable basis” means. That leaves a lot of wiggle room for bad actors to follow the letter of the rule, but not the spirit of it. These loopholes should be closed by requiring brokers to explain in clear language why they suggested a certain investment, why it’s best for a customer’s specific financial situation and how that option could benefit them or their firm. So we need to do more.

2) **A Ban on Conflicts**

Legislation needs to go further in preventing conflicts of interest. The latest proposal requires that conflicts be disclosed and makes recommendations about how to manage some specific conflicts. This begs the question: Why are so many conflicts allowed in the first place?

One way to address conflicts could be to prohibit brokers from earning income from anything other than clearly disclosed fees clients pay them to invest their money. Decisive rules, as opposed to recommendations that can be harder to enforce, are what will make a real difference and protect investors from bad actors.

3) **Strong and Consistent Behavior Standards**

We’re pleased to see language in the current proposal that would prohibit brokers from referring to themselves as advisors. While this helps investors recognize that not all advisors are the same, it doesn’t do much to help them understand why that matters. Further, dually-registered broker/advisors would have exemptions, which could lead to even greater investor confusion.
There’s an easy way to clean up this mess - make anyone who calls themselves an advisor act in the best interests of the client. Always.