Primerica
African American
Leadership Council
People Helping People

April 12, 2011

The Honorable Hilda Solis
Secretary of Labor
U.S. Department of Labor
200 Constitution Avenue, NW
Washington, DC 20210

Re: U.S. Department of Labor Proposed Change in Definition of Fiduciary

Dear Secretary Solis:

We are the Chairman and Co-Chairman of Primerica's African-American Leadership Council (AALC), which is a group of African-American representatives of Primerica, Inc. and its affiliates. We write this letter to explain the experiences of our members in serving the middle-income African-American communities in which we live and work, and to highlight the potential harmful effects that the Department's proposed definition of "fiduciary" could have on individual IRA purchasers in our members' communities.

African-Americans lag behind the general population in saving for retirement. There are statistics that illustrate this,[1] but for our members, it is something that they encounter every day when they discover that many of their clients have never been taught how to open a retirement savings account, how much to save and when to begin saving for retirement. Middle-income African-American communities simply are not served by many financial institutions, and as a result, the level of knowledge about financial services in the communities our members serve is very low. Indeed, it is very common for our members to meet with families who have never even considered the issue of how much they need to save for retirement, let alone put a plan into place for such savings. One of the most rewarding things about our affiliation with Primerica is that we have the opportunity to educate working families about the importance of beginning to save for retirement, to help them to calculate the amount they need to save for retirement, and then to provide them with a choice of investment vehicles in which to save.

The Department's proposed fiduciary rule, as applied to Individual Retirement Accounts, will create two barriers that will negatively impact retirement savings by the families in our members' communities. First, it will eliminate the majority of the financial services representatives serving those communities. Those representatives are overwhelmingly Series

[1] A 2009 study relating to participation in 401(k) plans showed a dramatic difference between white and African-American workers in both participation and contributions to employer retirement plans. African-American workers with access to a 401(k) are less likely to participate in those plans (66% of African-American workers participate, as opposed to 77% of white workers). And for those who do participate, they contribute less than their white peers at the same income levels (African-American workers who participate in 401(k) plans contribute an average of 6% of their income, while white workers average 7.9%). http://www.hewittassociates.com/Intl/NA/en-US/AboutHewitt/Newsroom/PressReleaseDetail.aspx?cid=6979.

6/63-licensed and are paid through commissions. There are extremely few licensed investment advisers that serve middle-income African-American families. But if the Department's proposed rule were adopted in its current form, Series 6/63 registered representatives would no longer be able to offer IRAs. Instead, only licensed investment advisers with Series 65 licenses could do so. Immediately, the impact of the fiduciary standard would be to dramatically reduce the number of financial services representatives able to spread the message of retirement savings in our members' communities. This would directly impair access to basic retirement education, and the vehicles through which to save for retirement.

Second, the proposed rule would make IRAs too expensive for middle-income families in our members' communities. Because of the cost of maintaining an IRA, and the proposed rule's effect of prohibiting broker-dealers from receiving compensation paid by the mutual fund providers, the full cost of the accounts would have to be collected from the customers themselves. They would either have to pay a large up-front fee to open their accounts, or would have to have sufficient assets ($25,000 to $50,000 minimum) to make it viable to deduct the account expenses on a percentage-of-assets basis. Either way, however, the result would be the same: it would prevent families in our members' communities from opening IRAs. This is because those families have limited assets, or may be just starting to plan for retirement. As a result, the accounts they open tend to be small in terms of initial investment – frequently only a few thousand dollars. If the customers had to pay several hundred dollars in up-front fees, or if they had to save $25,000 or $50,000 before being able to open an IRA, they simply would not do so. We know this because of our members' day-to-day experiences with customers in their communities.

The combined impact will be to make retirement savings vehicles less available and more expensive to families in our members' communities. Since we know from the first-hand experiences of our members how critical the need for access to retirement education and savings vehicles is in their communities, we are deeply concerned about the Department's proposed rule. If adopted, it would make retirement savings education and vehicles much less accessible to one of the segments of the American people that most need that access. For this reason, and on behalf of our members, we urge the Department not to impose the proposed fiduciary standard on IRAs.

Yours very truly,

Ivan Earle, Chairman

John Lennon, Vice Chairman