

Congress of the United States
House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5074
MINORITY (202) 225-5051

<http://oversight.house.gov>

Opening Statement
Rep. Elijah E. Cummings, Ranking Member
Committee on Oversight and Government Reform

Middle Class Prosperity Project Forum on
“Ending the Retirement Savings Drain and Improving Economic Security”

March 24, 2015

Good afternoon. I want to welcome everyone today to this second forum of the Middle Class Prosperity Project.

Let me start by welcoming my partner in this Project, Senator Elizabeth Warren. Thank you for hosting our first forum on the Senate side, and I am glad we are able to reciprocate and host today’s forum here.

I also want to welcome the other Members who are joining us here today, as well as our distinguished panelists.

Senator Warren and I established this Project to bring much-needed attention to critical issues facing America’s middle class. For too long, Washington has been serving the interests of the powerful and the rich, and we believe it is time to focus on hard-working, middle-class families who are not getting what they have earned.

At our first forum on February 24, we heard from some of our nation’s leading economists, including a Nobel laureate. They told us that middle-class wages used to rise along with worker productivity. But that is not happening anymore. Over the last three decades, worker productivity has continued to increase dramatically, but workers are no longer sharing equally in the benefits. Instead, corporations, executives, and shareholders are taking a bigger piece of the pie, and workers are getting less even while they do more.

For today’s forum, we will focus on middle-class families who work hard their entire lives, build up retirement nest eggs, and then seek the advice of financial advisers who may be putting their own financial interests ahead of their client’s.

My congressional district in Baltimore is in the “inner-inner” city. And in my neighborhood, when someone tries to trick you out of your money and rip you off, we call it a “hustle.”

But sadly, today, thanks to loopholes and outdated rules, some financial advisors can hustle hard-working Americans out of their retirement savings by selling them a lousy investment.

Right now, the law does not require all financial advisers to act as “fiduciaries,” which means they are not required to serve the best interest of their clients. Instead, current regulations allow some financial advisers to steer people to investments that generate high fees for the advisers—rather than the highest returns for the clients.

That is why we are here today. According to a report from the President’s Council of Economic Advisors, forty years ago, nearly 70% of Americans’ retirement savings were held in pension plans. These plans paid defined benefits, and the employers that invested in these plans were required to act as fiduciaries.

Over the past several decades, however, companies have been getting rid of pension plans and replacing them with defined contribution plans or Individual Retirement Accounts, commonly called IRAs, which now hold more than half of all retirement assets, according to the Council of Economic Advisors.

These are plans that workers must manage for themselves. Aside from buying a home, managing a retirement account may be the most complicated financial transaction Americans ever have to navigate.

Understandably, many Americans seek professional advice to help them make these decisions. But if they seek advice from broker-dealers or others who are not held to a fiduciary standard, they cannot be sure the advisor is putting their client’s financial interests ahead of their own.

In some cases, people may not even realize they have placed their trust in advisors who are not fiduciaries and have no obligation to act in their best interest. These advisers may be much more interested in pumping up their commissions than in ensuring that retirees maximize their savings.

In order to identify and curb these unscrupulous tactics, Senator Warren and I have established a page on the Middle Class Prosperity Project website where you can share your story. We want to know if your financial advisor has damaged your ability to build for retirement by providing conflicted advice.

Americans should not have to wonder whether the person advising them on how to invest their retirement savings is actually running a hustle. This is illegal when it happens on the street corner and it should be illegal when people are seeking financial advice.

Americans need a strong Conflict of Interest rule to ensure the advice they receive – advice they receive as paying customers – directs their hard-earned retirement savings to investments that will work best for them.

Contact: Jennifer Hoffman, Communications Director, 202-226-5181.