



NAIFA MEMBERS

SERVING MAIN STREET INVESTORS



IN PARTNERSHIP WITH



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FACTS AT A GLANCE

Results from a LIMRA survey of NAIFA members

DECEMBER 2010

1. NAIFA MEMBERS SERVE MIDDLE MARKET, OR "MAIN STREET," INVESTORS.

- Only 11 percent of NAIFA members' clients have annual household incomes of more than \$250,000.
- 58% of NAIFA members' clients' have household incomes of less than \$100,000.
- Most NAIFA members are small business owners who work in their clients' communities.

2. MIDDLE-MARKET (MAIN STREET) INVESTORS NEED THE TYPE OF AFFORDABLE SERVICES THAT NAIFA MEMBERS DELIVER.

- Consumers surveyed admit to limited financial knowledge, with 86% saying their financial knowledge is fair or less.
- This data supports earlier findings of the 2008 SEC-Commissioned RAND Study of Investment Advisers and Broker-Dealers which found that only 10% of investors said their financial knowledge was "good" or "advanced."
- 50% of consumers surveyed have used a financial advisor.
- Of those who have worked with a financial professional, half have less than \$50,000 invested. This amount is not enough to meet typical Registered Investment Adviser (RIA) account minimums.
- 55% of investors with household incomes between \$50-99k said they have some money they could invest, with 19% unsure. However, funds are limited – only 17% of these investors say they could invest \$3,000 or more per year. Again, not enough to meet RIA account minimums.

FEES & COMMISSIONS

- 71% of consumers say that if their advisor charged \$2,500 upfront for planning they would seek another advisor or go without professional services (19% unsure what they would do).
- Of those consumers with an opinion, 90% say consumers should have the freedom to choose whether they pay fees or commissions.
- RIAs almost always charge upfront fees of several thousand dollars and/or require minimum portfolios of \$100,000, \$500,000, \$1 million or more, according to the RAND Study.
- 82% of all NAIFA members and 94% of NAIFA members who are Registered Representatives of Broker-Dealers charge no upfront or ongoing fees.

3. FIDUCIARY REQUIREMENT COULD HAVE UNINTENDED CONSEQUENCES FOR MAIN STREET INVESTORS.

- Adoption of a fiduciary duty for Broker-Dealers and their Registered Representatives creates the potential for market disruption and reduced choices for investors when it comes to who they work with and how they pay for services.
- 18% of NAIFA members surveyed reported to have dropped their Broker-Dealer registration due primarily to existing compliance burdens; 9% dropped their Investment Adviser Registration due primarily to compliance.
- 51% of NAIFA members think a universal fiduciary standard will increase their costs (28% are unsure).

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- If compliance costs increase 15%, 65% of NAIFA members said they would be forced to take actions potentially harmful to Main Street investors:
 - 31% would shift their business to wealthier clients
 - 20% would stop offering securities
 - 14% would start charging fees or increase their fees.
- If costs increase 15%: 41% of NAIFA members say “few,” “very few,” or “none” of their clients would pay; an additional 34% say only “some” of their clients would pay.

4. THE CURRENT SYSTEM WORKS.

- Suitability is a rigorous and robust standard.
- Investors have freedom to choose an RIA or a Registered Representative and how they pay for services.
- NAIFA members' business models are built on building credibility and trust with their clients to develop long-term relationships, cross-selling, referrals, and repeat business.
- 73% of consumers who have used a financial advisor say the advisor provides valuable service; 75% say their financial advisor does work in their best interest.

ABOUT THE SURVEYS

LIMRA conducted a Web-based survey of active NAIFA members during the time period of Oct. 7-20, 2010. Results are based on responses from 3,372 NAIFA members with a margin of error of plus or minus two percentage points.

LIMRA facilitated an Internet survey by Opinion Research Corporation conducted Oct. 11-13, 2010. Results are based on responses from 1,008 U.S. adults age 18 or older, representative by gender, age, region and race. The margin of error is plus or minus three percentage points.

ABOUT NAIFA:

NAIFA comprises more than 600 state and local associations representing the interests of 200,000 members and their associates nationwide. NAIFA members focus their practices on one or more of the following: life insurance and annuities, health insurance and employee benefits, multiline, and financial advising and investments. The Association's mission is to advocate for a positive legislative and regulatory environment, enhance business and professional skills, and promote the ethical conduct of its members.