



# The Power of Independent Advice

Planning for retirement can be confusing and complex. Workers who manage their own investments could lose out due to investment mistakes. They need help—in the form of independent financial advice. Unfortunately, not all advice is equal. Some advice providers can profit from recommendations that may not be in the employee's best interest, potentially resulting in lower returns and higher fees. What type of advice are your employees getting?

## WHO'S COUNTING ON YOU FOR A SECURE RETIREMENT?

**70%**

employed workers

are offered a retirement plan by their employer. Of those, 77% contribute to the plan<sup>1</sup>

**75**

million

American families have an employer-based retirement plan, own an IRA, or both<sup>2</sup>

**\$5**

trillion

how much Americans have in defined contribution assets across 67 million accounts<sup>3</sup>

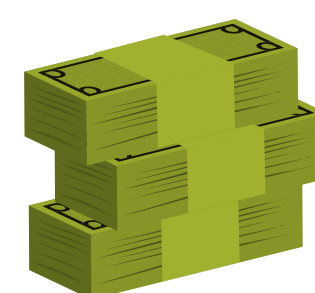
**\$300**

billion

rollovers to IRAs in 2012—expected to increase steadily in the coming years<sup>4</sup>

## WHAT'S AT STAKE?

Every year, Americans lose:



**\$17 billion**

due to conflicted financial advice<sup>2</sup>

**\$100 billion**

due to investment mistakes<sup>4</sup>

## THE STAGGERING IMPACT OVER TIME

Conflicted advice can result in 1% lower investment returns each year. This may not seem like a lot in the short-term, but it sure adds up. Over 35 years, a 1 percentage point lower return could reduce your savings by more than 25%.<sup>2</sup>

**\$38,000<sup>5</sup>**

CONFLICT-FREE ADVICE  
\$10,000 investment



..... 35 years of investment .....> ..... Retirement drawdown .....>

**\$27,500<sup>5</sup>**

CONFLICTED ADVICE  
\$10,000 investment



If a retiree receiving conflicted advice takes withdrawals at the same rate as those receiving unbiased advice, his or her savings could run out more than 5 years earlier.<sup>2</sup>

## WHAT CAUSES CONFLICT?

Commissions may drive advice providers to advise people to:

- Invest in funds with higher fees and potentially lower returns
- Roll over lower-cost retirement plans (employer plans) into higher-cost vehicles (IRAs)



In 2012, the average IRA rollover for people age 55–64 was more than \$100,000. That could mean a potential loss of \$12,000 in future withdrawals.<sup>2</sup>



## Declare your independence from conflicted advice

Help your employees retire with confidence. Financial Engines offers conflict-free, personalized retirement plans, online advice and resources, and professional account management.

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### Sources

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2. The Effects of Conflicted Investment Advice on Retirement Savings, President's Council of Economic Advisers, February 2015. Example provided for illustrative purposes only.
3. Retirement Markets 2014: Sizing Opportunities in Private and Public Retirement Plans, Cerulli Associates. Accessed: <https://www.cerulli.com/publications/retirement-markets-2014-sizing-opportunities-in-private-and-public-retirement-plans-P0001QG>.
4. Help in Defined Contribution Plans: 2006 through 2012. May 2014. Help is defined as managed accounts, online advice, and target date funds. See [www.financialengines.com](http://www.financialengines.com) for more information.
5. Fact Sheet: Middle Class Economics: Strengthening Retirement Security by Cracking Down on Backdoor Payments and Hidden Fees. The White House, Office of the Press Secretary, February 2015. Accessed: <https://www.whitehouse.gov/the-press-office/2015/02/23/fact-sheet-middle-class-economics-strengthening-retirement-security-crack>.

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