PRIMERICA

Hispanic American Leadership Council

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 writing to you on behalf of the Primerica Hispanic American Leadership Council, which is a group of Primerica representatives that is composed of, and which serves, Hispanic American workers throughout the United States. We want the Department to be aware of the impact that the proposed fiduciary rule may have on the communities in which we live and work.

For Hispanic American workers, the problems of retirement savings awareness and access to methods for retirement savings are extremely acute. In addition to the barriers that exist for other middle- and lower-middle income workers, Hispanic families frequently face a language barrier that limits their ability to obtain retirement savings advice and products, and the close-knit nature of many Hispanic American communities causes those communities to be ignored, or at least underserved, by many financial services firms. Many workers in these communities are in work situations that do not provide a 401(k) or similar retirement savings plan,[1] and even those who do have access to such a plan tend to participate at low levels.[2] As a result of all of these factors, Hispanic Americans have very low rates of retirement savings, and it is very common for members of our organization to make presentations to families who have never even considered the need for retirement savings.

As registered broker representatives, we have the ability to reach families in the communities where we live. There are no cultural or language barriers that prevent us from educating families in our communities about the importance of retirements savings and their options for saving.

[1] According to the National Compensation Survey performed by the Bureau of Labor Statistics, only 65% of American workers have access to an employer-sponsored retirement plan, and only 50% actually participate. For workers in smaller companies, the numbers are even lower, with only 50% of workers having access to a retirement plans, and only 35% participating. http://www.bls.gov/news.release/pdf/ebs2.pdf, at 2, 6.

[2] A 2009 study found that Hispanic workers are less likely to participate in 401(k) plans, and for those who do participate, to contribute less than their white cohorts. Of workers with access to 401(k) plans, 77% of white workers participated, while only 65% of Hispanic Americans did. Further, for middle-income workers earning between $30,000 and $59,999, the average 401(k) balance was $35,551 for white workers, and only $22,017 for Hispanic American workers. *Groundbreaking Study Reveals African-Americans and Hispanics Significantly Less Prepared for Retirement Than Their White Counterparts*, http://www.hewittassociates.com/Intl/NA/en-US/AboutHewitt/Newsroom/PressReleaseDetail.aspx?cid=6979.

Primerica offers customers the ability to open IRAs with very small initial balances ($250) and allows for very small monthly pre-authorized contributions to IRAs of as little as $25 per month. For the families we serve, opening one of these small IRAs is often the crucial first step they have taken to save money for retirement.

We are very concerned that the Department's proposed fiduciary standard would leave the Hispanic American communities we serve without any viable access to retirement planning education and retirement savings opportunities. By prohibiting third-party compensation under the "prohibited transactions" rule, we believe that the Department's proposed standard would eliminate representatives of broker-dealers, our members, as a source for IRAs in the Hispanic American community, and instead would force customers to open IRAs exclusively through investment advisers.

The investment adviser model does not work in the communities we serve. Investment advisers either charge customers a flat dollar amount to create an investment plan (typically $500), or charge an amount based on a percentage of the customer's assets. In the communities where we live and work, an up-front charge would be so large in comparison to a customer's initial account balance that it would outweigh any investment returns, and would dissuade customers from opening accounts at all. Similarly, a percentage-of-assets model is not viable for a customer with a small IRA. The typical fees charged by investment advisers are in the 1-2% range, and for an account that is opened with a $1,000 initial balance and a $25 per month contribution (a very common account size for our customers), the adviser's compensation would be $10-20 initially and only marginally more than that in later years. The work involved in educating a family about the need to save, assisting them with a savings calculation, and helping them in choosing suitable investments is sufficiently time-consuming that it would simply not be worth an adviser's time to work with customers with limited assets.

The Hispanic American communities that we live and work in have an urgent need for retirement savings knowledge, advice and products. We believe that in applying the fiduciary standard to IRA products, the Department's proposed rule would cut off one of the only avenues available to our communities to help reverse the problem of low retirement savings rates. For this reason, on behalf of our members, we urge the Department not to impose the proposed standard on IRAs without substantial additional study of the potentially severe consequences the proposed rule could have for middle-income working families.

Yours very truly,

Francisco Dillon, Ph.D

Francisco Dillon, Chairman

Jose F. Rivera Vega, Co-Chairman