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Conflict of Interest

Protecting Retirement is in the Common Good

by Alí Bustamante, PhD

JSRI Future Activities

August 7

Fr. Kammer will inaugurate a series of talks on Catholic social thought at Most Holy Trinity Parish in Covington, LA.

August 2-3

Fr. Kammer will give a series of talks to clergy, parish staffs, and the public in El Paso on Catholic social thought and immigration.

JSRI Recent Activities

June 13

Jesuit scholastic Brendan Gottschall, SJ, began his summer internship with JSRI.

June 11-13

Fr. Kammer served as the commentator for the assembly of the Catholic Health Association in New Orleans.

June 6

Dr. Weishar participated in a meeting of grantees at the [Langeloth Foundation](#) in NYC.

May 31- June 2

Fr. Kammer participated in the convening of U.S. Academic Centers on Catholic Social Thought, meeting at Georgetown with Cardinal Turkson and the Vatican's new Dicastery for Integral Human Development.

May 31

Dr. Weishar participated in a planning meeting for the Symposium on Systemic Change in LA, which will be held on October 20, 2017, at the Tracey Catholic Center in Baton Rouge.

May 30

Dr. Weishar testified to Louisiana Senate Judiciary Committee A in opposition to a bill that affects immigrants' right to marry in LA. The committee deferred the bill, thus killing it.

May 30

Dr. Weishar helped deliver a letter from over 230 faith leaders and people of faith from across Louisiana in opposition to an anti-sacnctuary city bill. Fortunately, Senate Judiciary Committee B rejected the bill.

Retirement savers lose \$17 billion annually from conflicted investment advice.[1] In the Gulf South, conflicted financial advice costs retirement savers from \$54 million in Mississippi to \$1 billion in Texas. However, retirement savers may get a reprieve if the Trump administration supports the “fiduciary rule,” also known as the “conflict of interest rule,” from the U.S. Department of Labor.

Annual Cost to Retirement Savers from “Conflicted” Financial Advice	
Texas	\$1,007,000,000
Florida	\$971,000,000
Louisiana	\$153,400,000
Alabama	\$64,300,000
Mississippi	\$54,000,000

Source: Shierholz, Heidi and Ben Zipper. 2017. [Here Is What's At Stake With The Conflict of Interest \(“Fiduciary”\) Rule](#). Economic Policy Institute. Note: Based on data from the U.S. Census Bureau: Survey of Income and Program Participation (SIPP) 2008.

The fiduciary rule is a common-sense consumer protection requiring that financial advisors (brokers, planners, and insurance agents) put their clients' interests ahead of their own when working on retirement plans and accounts such as 401(k) plans, pensions, and individual retirement accounts (IRAs). This rule would penalize financial advisors that recommend products that bring them the most money but that may not be best for their clients.

Currently, financial advisors need only to recommend “suitable” investment options that fit their clients' defined needs. When financial advisers are paid through fees and commissions, they are incentivized to recommend more expensive and potentially riskier investment options. All too often, financial advisors sell investment products that benefit themselves at the expense of their clients. However, most consumers are largely unaware of this conflict of interest and of the cost that these conflicts impose.

Introduced by President Obama's administration in 2015, the fiduciary rule was subject to several months of public comment, four days of public hearings, and several court challenges brought by the financial services industry. [2] After nearly two years, the rule was set to take effect in April. However, in March, the Trump administration issued a 60-day delay to the rule. Despite the severe financial losses that retirement savers face when acting on advice from financial advisers who have conflicts of interest, the Trump administration has stood with the financial services and insurance industries in opposition to the fiduciary rule.

Catholic Social Thought tells us that private wealth becomes illegitimate when it is the result of exploitation or at the expense of the wealth of society. [3] Furthermore, it is the responsibility of men and women to prescribe economic policies that solve the vast and complex problems connected with work – as is retirement – and further the common good while “leaving behind concerns imposed by special or personal interests.”[4]

It is important to protect retirement savers from harm by the financial industry and support the fiduciary rule. The Trump administration should stand with retirement savers and abandon its efforts to delay enforcement and rescind consumer protections. The fiduciary rule is a just policy that serves the common good. It is time to protect retirement savers and not special or personal interests.

[1] White House Council of Economic Advisers. 2015. [The Effects of Conflicted Investment Advice on Retirement Savings](#). Washington D.C.

[2] Lynch, Sarah N. 2017. [U.S. Court Upholds Obama-era Retirement Advice Rule](#). Reuters.

[3] Cf. John Paul II, Encyclical Letter Centesimus Annus, 43: AAS 83 (1991), 847.

[4] Cf. John Paul II, Message to the Participants in the International Symposium on Work (14 September 2001), 5: L'Osservatore Romano, 17, October 2001, p.3.

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