

TESTIMONY

of

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Before a hearing of the

UNITED STATES DEPARTMENT OF LABOR
EMPLOYEE BENEFITS SECURITY ADMINISTRATION

Regarding the
Proposed rule dated October 22, 2010, relating to the
Definition of investment advice under ERISA

MARCH 1, 2011

I. Introduction

Good afternoon. My name is John Sweeney, and I am Executive Vice President for Planning and Advisory Services at Fidelity Investments.

Fidelity Investments is a leading provider of investment management, retirement planning, portfolio guidance, brokerage, and many other financial products and services to more than 20 million individuals and institutions, as well as through 5,000 financial intermediary firms. Fidelity is the No. 1 provider of IRAs and workplace savings plans providing recordkeeping and other services to over 8.5 million IRA accountholders and over 11 million covered participants within close to 17,000 active 401(k) plans.

During my thirteen year Fidelity career, I have held a variety of roles that have centered on the development and management of a wide range of investor products and services. At present, I am responsible for the development and management of Fidelity's planning and guidance tools for investors. Our team sits as a shared resource between the division that serves retail investors and the division providing record keeping services to our employer sponsored retirement plans. The structure of our team is purposely aligned with customer needs rather than the account in which they are invested. Investors don't ask us, "How do I save in my 401(k)?" Rather, they ask us, "How do I save to meet all the goals that I have?"

Many investors that we serve are members of the proverbial sandwich generation, one that has many competing needs for a finite amount of savings. An investor is often trying to pay down mortgage debt, save for their own retirement, and might be trying to save for a child's education at the same time they are preparing to care for an aging parent.

Fidelity provides a continuum of products and services so the investor can choose how they want to interact with us:

1. At the simplest end of the spectrum, target-date retirement funds like Fidelity's Freedom Funds provide diversified, age-appropriate investment options in the form of a mutual fund that adjust asset allocation as the investor ages;
2. Many investors want additional assistance with their investments and we offer a range of planning and educational tools to help investors answer questions like,
 - a. "How much should I save in my 401(k)?"
 - b. "How should I construct a diversified portfolio to meet my investment needs?"
 - c. "How much income will I need in retirement?" and
 - d. "What choices are available to me to help construct a reliable stream of retirement income?"
3. For customers who want Fidelity to manage their portfolios, we offer a fiduciary managed account service, and finally
4. For customers with more complex planning needs, we offer referral to an independent investment advisor.

My testimony today will focus on the second category of interaction, where Fidelity provides education to investors and prospects, free of charge regardless of the type of account the investor holds.

II. The Current Investor Environment

As the market declined in 2008 through the first quarter of 2009, investors without an understanding of asset allocation, time horizons and risk tolerances may have panicked and left the market. Without the benefit of guidance, many remain sidelined today, unsure of how to reengage with their portfolios.

Those who understood the role of equities, bonds and cash in a diversified portfolio and had the perspective to remain focused on their long term goals, remained invested and in most cases, continued to contribute to their 401(k)s even as the market declined. Beginning in March 2009, as the markets rebounded, those shares purchased when assets were depressed began to appreciate.

By the end of 2010, our review of corporate defined contribution plans and 11 million participants revealed that the average account balance for one-year continuous participants had rebounded 55% to almost \$72,000, reaching a 10-year high. More importantly, for continuously active participants, the past decade was not a lost decade, in fact the average 401(k) balance increased from \$59,100 at the end of 2000 to \$183,100 at the end of 2010, a combination of continuous contributions made through dollar cost averaging and appreciation.

III. How We Help Investors With Education and Guidance

As you can well imagine, the past two years has tested investors' resolve. Investors looked for answers from their financial services providers. As a financial services provider to investors across all types of accounts: taxable, brokerage, or the range of retirement savings options in both workplace plans or IRA accounts, our experience helping investors over the past two years has delivered some very clear messages;

#1- Now, more than ever, investors need help:

- Since 2008, the number of investors attending seminars at our branches jumped nearly 30%
- So, in response, in 2010, we hosted 20,000 live investor forums with more than 532,000 investors attending an event at either an investor center or workplace;
- In response to customer requests for more insight, we increased the frequency of our Investor Viewpoints – targeted educational articles on a wide range of investor topics - and these have been read more than 4.5 million times;
- And finally, in response to customer inquiries about what to do with their portfolios, we have seen a dramatic increase in the usage of our guidance tools such as Portfolio Review and Retirement Income Planner and last year Fidelity provided more than 1.4 million guidance interactions to both customers and prospective customers, free of charge.

To summarize, our data has shown us that what is a clear investor need during good economic times becomes an absolute necessity during times of market volatility.

#2- Much of our help assists those who need it the most: low balance and younger participants. We know that for most workers, the primary way they receive financial education and guidance is through their workplace savings plan.

While some may claim that low and moderate income workers are not savers, our data shows that:

- 53% of eligible employees who make between \$20,000 and \$40,000 do participate, and
- 71% of eligible employees between \$40,000 and \$60,000 participate in their workplace savings plans.

- These numbers increase significantly for those who have an auto-enrollment feature as part of their plan.
- Based on a 2010 analysis of workplace utilization of Fidelity’s myPlan by 65,000 users, nearly 3 out of 4 plan participants were under the age of 50. It is unclear where else this group of investors could turn to for immediate, no cost guidance of this type.

#3- Guidance improves investor outcomes:

- Based on a six month workplace analysis in 2010, participants who use our guidance tools increase their deferral savings rates (on average) by about 3 percentage points; and
- When it comes to asset allocation, 40% who used our online investment modeling tool, Portfolio Review, initiated a change to their asset allocation.

IV. How Fidelity Continues to Deliver and Innovate on its Guidance Message

And, we continue to innovate and respond to investor needs. Nearly 3 million Baby Boomers will turn 65 this year – about 7,500 per day – and begin their transition into a retirement which must account for longer life spans, stock market volatility, a low interest rate environment, rising health care costs, and potentially a changing tax landscape. A recent Fidelity study found that 62 percent of pre-retirees heading toward retirement feel anxious or stressed about making the transition from saving for retirement to living off those savings in retirement. Despite that concern, three out of four (75 percent) pre-retirees do not have a formal retirement income plan in place that could help alleviate some of the anxiety.

Several years ago, we launched Retirement Income Planner to help customers answer the question, “How much will I need to live in retirement?” By helping customers understand concepts like inflation, rising healthcare costs and longevity, we began a dialogue with our customers that helped them understand some of the risks they faced when entering retirement.

But today's retirement environment is forcing even more questions for America's workers. Interest rates are low, corporations have cut the dividends they pay their investors, pensions are under pressure and retirees are being asked to shoulder a larger portion of their healthcare expenses.

Last month we expanded our education and guidance to pre-retirees by unveiling an innovative new program to help investors and workplace participants *close to retirement* explore vehicles that provide income in retirement. We know lifetime income is an important priority for the Department and view the tools we have developed as an important step in helping educate investors how to shift their portfolios from accumulation mode towards portfolios that will generate income streams throughout retirement.

The program's highlights include:

- an intensive 30-day coast to coast education and investor engagement initiative that invited investors and workplace participants to attend one of 200 free, live educational events and seminars;
- 1:1 guidance sessions with a Fidelity professional;
- the introduction of Fidelity Income Strategy Evaluator or ISE, an on-line tool designed to help participants understand how different investment products can help a participant generate income in retirement. Already this program is available to more than 10 million workplace plan participants, and to non-Fidelity customers as well.

V. The Regulatory Environment

We appreciate the Department's desire to thoughtfully re-examine what constitutes fiduciary "investment advice." But we cannot stress enough that these new rules must encourage – not restrict – the ability of financial service providers to provide educational support.

Over 11 million participants invest at Fidelity through a workplace sponsored 401(k) plan. Most of those participants also have IRAs, and other savings vehicles either at Fidelity or elsewhere. We know that most Americans will be required to use a combination of their workplace retirement accounts, their IRAs as well as other taxable accounts to supplement Social Security and any pension they might have help provide for their income in retirement. At Fidelity, our experience has been that investors do not treat these accounts differently when considering questions such as:

- “Am I prepared for Retirement?”
- “Am I meeting my savings goals?”
- How can I transform my savings into retirement income?

Similarly, regardless of whether an investor is deciding between 30 investment options in his/her 401(k) or a broad universe of investment choices when dealing with his/her IRA, the deliberations are the same. Investors do not and cannot be expected to believe that the legal framework governing those investment decisions is different based solely on the vehicle they have chosen to make the investment. Given the importance of proper oversight on behalf of investors and the services they receive, we appreciate that the Department is working with the SEC to ensure these investor services are protected and not restricted under a new regulatory regime.

VI. Closing Comments

Any changes to the current ERISA definition of fiduciary investment advice should not threaten access to the guidance that all investors receive every day by placing a call, going on-line, attending an investor workshop or visiting a local branch office for one-on-one assistance. Investors do not understand the underlying regulatory complexity that allows for the valuable services they receive. However, they have a growing awareness of the need to save and invest in their workplace plans, IRAs and other accounts as the savings and retirement tools for most Americans. We ask for your assistance in providing a framework in which we can continue to respond to the thousands of American investors who ask us every day, “How do I save and invest to meet the many goals I have in life?”

Thank you for the opportunity to testify today. I am happy to respond to any questions at this time.