

# Disclosures in SEC advice rule confuse, mislead investors, advocacy groups say

Testing by Financial Planning Coalition, Consumer Federation of America and AARP uncovers problems.



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Disclosures contained in the Securities and Exchange Commission's investment advice reform proposal meant to clarify the differences between investment advisers and brokers confuse and mislead investors, several advocacy groups said Wednesday.

The organizations [conducted independent investor testing](#) of the so-called client relationship summary, or [Form CRS](#), in the reform package. The disclosure is designed to illuminate for investors the varying services, compensation models and standards of care that each kind of financial professional offers.

In a [letter to SEC chairman Jay Clayton](#), the groups said they found that investors did not comprehend differences in services, legal obligations, fees and costs, and conflicts of interest despite using Form CRS.

“In area after area tested, participants didn’t just fail to fully grasp the information provided — time and again they walked away with a false understanding of the issues,” Barbara Roper, director of investor protection at the Consumer Federation of America, told reporters on a conference call. “If the disclosures fail, the entire regulatory approach fails.”

In addition to the CFA, the Financial Planning Coalition and AARP sponsored the testing, which was conducted by Kleimann Communications. The coalition is comprised of the Certified Financial Planner Board of Standards Inc., the Financial Planning Association and the National Association of Personal Financial Advisors.

The testing involved 90-minute, one-on-one interviews with a total of 16 investors with a variety of educational and income levels in Calabasas, Calif., Philadelphia and St. Louis.

The SEC introduced its reform package in April, and the comment period ended Aug. 7. The advocacy groups [indicated in comment letters](#) they would conduct the testing. On Wednesday, they encouraged the agency to use their results to inform its own efforts to assess disclosure effectiveness.

It’s not clear what kind of testing the SEC is doing or whether the agency will allow for another public comment period before completing advice reform.

“If they rush the rule proposal through ahead of knowing whether it works, that would be a real abuse of process,” Ms. Roper said.

“The SEC welcomes all feedback on its proposed Form CRS that will help us make decisions about ways to improve disclosure for investors,” an SEC spokesperson said in a statement. “The SEC is currently engaged in investor testing. As chairman Clayton indicated in his public statement on April 24, we anticipate making the results of that investor testing available in the public comment file.”

The SEC has held a [series of investor roundtables](#) over the last couple of months. In each of them, agency staff has provided participants with copies of Form CRS and then discussed their reaction to it.

That’s not the same as investor testing, according to Ms. Roper.

“It doesn’t tell you whether the disclosures work,” she said. “It doesn’t tell you whether when they read these documents, they come away able to make a better decision” on whom to hire.