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## Why financial advisers hate Elizabeth Warren

The senator has emerged as an ardent champion of the DOL fiduciary rule and has used congressional hearings to take on Wall Street and industry regulators alike

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**I**n just three and a half years in the U.S. Senate, Elizabeth Warren has become one of the most polarizing figures in Congress and among the legislators most hated by members of the financial services industry.

An early proponent of creating the **Consumer Financial Protection Bureau** — even before she was elected to the Senate — the 67-year-old former Harvard professor also has emerged as one of the most ardent champions of the **Department of Labor's fiduciary rule** for retirement accounts. She has been a pit bull at congressional hearings, taking on Wall Street interests at every turn, and has had public run-ins with **former Finra chief Richard Ketchum** and **SEC Chairwoman Mary Jo White**.

“It is perfectly legal for some brokers and financial advisers to take kickbacks, prizes or even vacations for selling lousy products to unsuspecting customers,” Ms. Warren said at a congressional forum in March 2015, shortly before **the DOL proposed rule was released**.



That's the kind of rhetoric Robert Braglia, president of **American Financial & Tax Strategies Inc.**, a registered investment adviser, rejects.

“She's more anti-business than she is pro-consumer,” he said. “She's coming from a place that all “fill-in-the-blank” are bad. Every industry she goes after, she paints with the same broad brush, which is unfair.”

Others have been more unsparing with their criticism.

“I live here [in Boston] and can't name a single human being in my immediate or extended social circles that likes her, has or would vote for her, or who can even say that they don't loathe her,” Jeremy Cohen, a broker with the **Independent Financial Group**, wrote in the comments section of an *InvestmentNews* story the day **Ms. Warren took on Mr. Ketchum in a congressional hearing**.



## THE WARREN FILE

**Name:** Elizabeth Warren

**Age:** 67

**Occupation:** U.S. senator from Massachusetts (January 2013 – present); serves on Senate Banking; Special Aging;

In a statement he gave *InvestmentNews* last week, Mr. Cohen said, “It feels like her appraisal of the industry is that it's an inherently malevolent force, something that society needs to be shielded from. I think as a whole, we feel like that does us an injustice.”

Ms. Warren likely turns off some advisers with assertions about taxing wealth to support public services, such as the comment she made during her 2012 campaign: “There is nobody who got rich on his own. Nobody. Part of the social contract is that you take a hunk of that and pay it forward for the next kid who comes along.”

Timothy LaPean, owner of **Thoughtful Financial Planning**, supports Ms. Warren's position on

Energy and Natural Resources; Health, Education, Labor and Pensions committees.

**Previous employment:** Chief adviser, National Bankruptcy Review Commission; chairwoman, Congressional Oversight Panel for the Troubled Asset Relief Program; special adviser to the Treasury Secretary for the Consumer Financial Protection Bureau.

**Author:** “A Fighting Chance”; “The Two-Income Trap”; “All Your Worth.”

**Accolades:** Named to Time magazine's 100 Most Influential People list three times.

**Quote:** “America isn't going broke. The stock market is breaking records. Corporate profits are at all-time highs. CEOs make tens of millions of dollars. There's lots of wealth in America, but it isn't trickling down to hard-working families like yours.”

— 2016 Democratic National Convention

fiduciary duty, but understands why many of his colleagues dislike her.

“There's some cognitive dissonance because people don't want to be enthusiastic about someone with whom they disagree on other subjects,” he said.

“She's the bane of most brokers,” said Paul Auslander, director of financial planning at **ProVise Management Group**. “Most RIAs I talk to ... have disdain for Elizabeth Warren, but they find it hard to argue with the fact that she's been a champion of this [fiduciary-duty] effort.”

In fact, if it weren't for Ms. Warren and her liberal allies, the DOL regulation, which requires advisers to act in the best interests of clients when advising on retirement accounts, might be in the dustbin instead of heading toward

implementation next April.

**(Related read: [Got questions about the DOL's fiduciary rule? We've got answers.](#))**

She galvanized Capitol Hill Democrats, helping to keep them in line with the Obama administration in supporting the rule in the midst of fierce industry lobbying against the measure.

Even Ms. Warren's supporters acknowledge that diplomacy is not her strong suit.

Diane Young, president of The **Athena Financial Group**, said Ms. Warren “is trying to advocate for the average Joe because they don't have lobbyists.”

But Ms. Young, president of the **Women's Democratic Club of Rochester**, Mich., said Ms. Warren's presentation can rub financial advisers the wrong way.

“Sometimes she comes off as a little harsh,” Ms. Young said. “Just like we shouldn't be calling her names, she shouldn't be calling us names.”

## DESIGNATED HITTER

One of the people who calls Ms. Warren names is **Republican presidential nominee Donald Trump**. He often derides her as “Pocahontas” on Twitter, a reference to a controversy about Ms. Warren once identifying herself as partly Native American, largely based on family lore.

She gives as good as she gets. Ms. Warren has become a Democratic designated hitter in attacking Mr. Trump, accusing him of being a racist and bully and having a “reckless vision for America.”

Those who have worked with Ms. Warren say her passion for battling those she perceives to be adversaries with an enormous advantage over ordinary Americans, such as Wall Street, stems from her own upbringing.

As she has noted in two speeches before the Democratic National Convention — in 2012 and again in July — she had a hardscrabble childhood in Oklahoma.

“I grew up in a family on the ragged edge of the middle class,” Ms. Warren said in 2012. “My daddy sold carpeting and ended up as a maintenance man. After he had a heart

attack, my mom worked the phones at Sears so we could hang on to our house.”

She began “waiting tables at 13,” married for the first time at 19 and graduated as a commuter student from the University of Houston. She earned her law degree from Rutgers University while she was a young mother in her early 20s.



Left: Warren with her family; right: Warren with her mother

## POPULIST STREAK

“Oklahoma politics, whether it's conservative or liberal, has always had a populist streak to it,” said Damon Silvers, director of policy at the **AFL-CIO**, who served on the **Congressional Oversight Panel for the Troubled Asset Relief Program** when Ms. Warren was chairwoman. “She's quite aware from her own life about the way in which the lack of expertise can put a person at a disadvantage.”

A fellow academic said Ms. Warren's background contributes to her political orientation.

**"A working-class person knows they can't assess the information independently and they can't trust a broker."**

-- Teresa Ghilarducci, professor of economics

“It could be just pure empathy with her relatives and the people she grew up with,” said Teresa Ghilarducci, professor of economics at **the New School for Social Research**.

In fighting Wall Street, Ms. Warren is taking up the cause of friends and neighbors from her youth who

at the New School for Social Research

may be able to determine whether a car salesman is giving them a raw deal but are out of their league when it comes to a pitch from a financial adviser.

“Dealing with a salesperson with a financial product, a working-class person knows they can't assess the information independently and they can't trust a broker,” Ms. Ghilarducci said.

Ms. Warren, who declined to be interviewed for this story, worked her way into academia from this blue-collar background. She was a professor for three decades, becoming an authority on bankruptcy, before running for the Senate.

Prior to winning election, she played a key role on the **National Bankruptcy Review Commission** and is credited with being the inspiration for the Consumer Financial Protection Bureau, which was created by the Dodd-Frank financial reform law. At one point, she was mentioned as a possible candidate to head the agency.

*(Related read: **Historical timeline of fiduciary duty for financial advice**)*

Ms. Warren rose to political prominence by exposing the troubles of consumer lending. She brings to her advocacy for consumer protection in the financial advice sector the same suspicion of its inner workings, which one critic says distorts her perception.

“If you only see the bad, you're going to think that all [advisers] are bad,” said Eric Bishoff, chief executive of **Bishoff Financial Group**. “To the people in the industry, that's insulting.”

Ms. Warren was able to pivot to investment advice issues thanks to her appointment to the Senate Banking, Special Aging, and Health, Education, Labor and Pensions committees.

“She's naturally positioned to be influential,” said Barbara Roper, director of investor protection at the **Consumer Federation of America**. The DOL fiduciary rule “is the investor protection equivalent of the consumer protection work she's done at the CFPB and prior to that.”

## 'RIGGED SYSTEM'



Ms. Warren has fit the fiduciary duty issue into the same trope she uses for other issues — that of a “rigged system” she is trying to fix.

“There are thousands of honest retirement advisers who put their clients first,” she said at the March 2015 Capitol Hill forum. “But right now they have to compete against the unethical advisers who steer their clients into lousy products because those products net the advisers higher fees, commissions or kickbacks. That is a rigged system, and it is time for us to change it.”

**"That is a rigged system, and it is time for us to change it."**

-- Elizabeth Warren, March 2015 Capitol Hill forum

When she walks into a Senate Banking Committee hearing, she can stir a sleepy meeting to life with her sharp questions for witnesses she thinks aren't doing enough to protect investors.

From that perch, Ms. Warren has prodded Mr. Ketchum and got into an awkward verbal joust earlier this year with **Securities and Exchange Commission Chairwoman Mary Jo White**. The latter exchange followed her pointed letters to Ms. White over the last year, questioning her leadership of the agency.

***(Related read: Senator Warren ups ante by calling for SEC investigation of firms opposing DOL fiduciary)***

“It is fair to say that Elizabeth Warren has been more outspoken about matters involving the SEC and Chair White than any other senator in recent years,” said former SEC commissioner Luis Aguilar.

People who have talked with Ms. Warren when she is off the political stage describe a mellower figure who listens closely, absorbs information and tends to take a lot of notes.

Kashif Ahmed, president of **American Private Wealth**, is a constituent of Ms. Warren's. Earlier this year, the senator headlined an event to support a project he sponsors to promote education for girls in developing countries.

“She's a down-to-earth person,” Mr. Ahmed said. “She's very personable. She speaks in a soft tone. She's got a great sense of humor and a loud laugh.”



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-- Kashif Ahmed, president of American Private Wealth

What's next for Ms. Warren is unclear. She's up for Senate reelection in 2018. She was rumored to be a vice presidential option for Democratic presidential nominee Hillary Clinton. Perhaps she'll be considered for an administration job should Ms. Clinton win.

If the Democrats take over the Senate, Ohio Sen. Sherrod Brown is likely to chair the Banking Committee. He and Ms. Warren have similar views about investor protection, which could increase her influence on legislation. In addition, she has worked

with conservative Republicans on retirement savings bills.

***(Related read: [Sen. Warren, Rep. Cummings accuse financial industry of crying wolf on DOL fiduciary](#))***

"She's got [latitude] to cut deals that other people don't," said Mark Calabria, director of financial regulation studies at the Cato Institute. "She's got a reservoir of trust on the left that allows her more mobility."

While Ms. Warren sorts out her political future, she'll continue to work on fiduciary duty and other advice issues.

"She's a little in your face," said George Gagliardi, a financial adviser at Coromandel Wealth Management in Lexington, Mass. "But I can't argue with what she is pushing for. It's good for the consumer."



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