April 26, 2023

The Honorable Patrick McHenry
Chairman
House Committee on Financial Services
Washington, D.C. 20515

The Honorable Maxine Waters
Ranking Member
House Committee on Financial Services
Washington, D.C. 20515

Re: H.R. 1807

Dear Chair McHenry and Ranking Member Waters:

On behalf of AARP's nearly 38 million members and all older Americans, I write to express AARP's strong concerns regarding legislation under consideration in the House Financial Services Committee that would direct the Securities and Exchange Commission to promulgate rules requiring the use of electronic means as the default delivery method for vital disclosures. While so many Americans still do not have access to reliable internet at home, or do not have the skills to use the technology, AARP opposes switching to electronic delivery as a default. We do support electronic delivery for those who choose to receive these important disclosures via email.[1]

Full and meaningful disclosure is critical to individual financial planning. Millions of Americans, many who are 50 and older or living in rural areas, do not have regular broadband internet access or do not routinely use computers at home. This means they would miss out on critical account information if the default delivery were electronic.

AARP is working across the country to increase access to high-speed internet and build digital skills, but we still have a long way to go to bridge the digital divide. More than one in four people age 65 and older do not routinely use the internet. Roughly 39 million Americans over 50 are lacking home internet service. At least 20 percent of people living in rural areas of the United States still do not have access to broadband. When every American has full and affordable access to the internet, we will of course be open to digital disclosures by default. Unfortunately, we are still a long way from achieving that goal.

Of note, these statistics include those who can access the internet only with their smartphones. The ability to read and digest complex financial information on such small screens is limited.

Millions of workers are not just without internet access at home; they also do not have access to computers at work. Jobs in the construction, transportation, manufacturing, and storage sectors, for example, are unlikely to require use of a computer. Roughly 50 percent of workers in these fields have very limited exposure to computers or digital skills.

[1] For more in depth information AARP's positioning on default paper delivery see AARP's comment letter to the Department of Labor, available online: https://www.dol.gov/sites/dolgov/files/EBSA/laws-and-regulations/rules-and-regulations/public-comments/1210-AB90/00225.pdf

Similarly, over one-third of workers in retail, hospitality, manufacturing, and health and social work are more likely to not have regular access to home internet. If this proposal passes without changes, these hardworking Americans could very well never see disclosures again.

If consumers miss the notice, fail to check an online account, or do not see a notice in their spam filter, they also may never see these vital disclosures. Additionally, lower wage workers, workers with lower educational attainment, older workers, and retirees will bear the brunt of this proposal. Racial minorities and Americans in rural communities will also be disproportionately impacted. The obligation will be on consumers to actively switch back to paper delivery once the SEC promulgates these rules. The fundamental statutory obligation to disclose important financial information to consumers should not be undermined to save relatively minor administrative costs.

Recent AARP polling shows that most adults with employer-sponsored retirement plans would prefer to receive paper statements in the mail at least once a year.[2] This is especially true for those age 50+, those with household incomes under $50,000, and those who do not use computers at work. The poll also shows that respondents are more likely to read and save paper statements. Similar research by Vanguard, the Pension Rights Center, Financial Industry Regulatory Authority (FINRA), and the Securities and Exchange Commission has found a strong preference for paper on the part of individual investors.

If enacted as currently drafted, this legislation would amount to no disclosure at all for many consumers. In short, AARP believes that disclosure rules should follow these simple guidelines:

(1) all consumers should be asked their preference as to how they would like to receive disclosures;

(2) if a participant fails to submit a preference, paper should be the default;

(3) providers should determine if participants who elect email or smartphone disclosures actually open them; and

(4) paper disclosures must be sent if electronic disclosures bounce back or are consistently left unread.

We would be pleased to discuss this further with you. If you have any questions, please feel free to call me, or have your staff contact Sarah Mysiewicz at SMysiewicz@aarp.org or (202) 434-6763.

Sincerely,

Bill Sweeney
Senior Vice President
Government Affairs

[2] Full survey available online: https://www.aarp.org/research/topics/economics/info-2022/retirement-account-statements-survey.html