Monthly Update
February 2017

With Whom Does Your Advisor's Loyalty Lie?

By Robert Standish, Managing Director, Wealth Management

With all of the recent events in our nation's capital, one of the seemingly more mundane topics is the Department of Labor's fiduciary rule. If the "fiduciary rule" is implemented, all financial advisors must act as fiduciaries for clients who have retirement accounts (e.g., IRAs, etc.). Many people, however, are not aware of the fiduciary standard, and its importance.

In the realm of financial advice and investment management, the fiduciary standard of care requires that an advisor act ***solely in the client's best interest*** when offering personalized financial advice. The prevailing standard in the industry is a *suitability* standard that requires the "advisor" to make a recommendation that is "suitable", but not necessarily in the client's best interest.

Perhaps it will help make the distinction when we consider to whom the parties have a duty of loyalty. The fiduciary's loyalty is simple: to his or her client. The duty of loyalty of the "suitability" advisor is to his or her employer as the advisor is required by law to represent his/her **employer's** best interest. So the question I have always asked is, "Why would anyone want to work with/follow the advice of someone who does not have their best interests at heart?"

Yet, the financial industry has presented significant opposition to the rule. Some institutions suggested such a change would impose substantial financial cost, and it would be nearly impossible to monitor. Some have also suggested that it would actually prevent many consumers from receiving objective financial advice because many would not be able to afford the fees associated with the rendering of objective advice. I know, this one left me scratching my head as well.

Regardless whether President Trump rescinds implementation of the rule or not, I hope our clients find it reassuring BPU's Wealth Management division has ***always maintained a fiduciary standard***. since our CEO, Paul Brahim, CFP®, founded our division in 1997. The CFP® practitioners on our staff are not only ethically required to always act in our clients' best interests, but we also enthusiastically embrace this duty we owe to our clients.

So let those whose loyalty is not to their clients bicker about the rule in hopes of avoiding accountability for their actions. We are proud to maintain this standard because we believe there is no other standard to ***serve*** our clients.

For those looking for an advisor or wealth management firm, we suggest you ask the following questions when interviewing your prospective advisors:

- Are you a fiduciary? Are you legally obligated to act in my best interests? (Of course, if you have to clarify, they probably are not a fiduciary).
- Will you commit this pledge in writing?
- Will you offer written disclosure any and all conflicts of interest during our relationship?
- Do you receive any compensation contingent on the sale of a product or referral to a third party?

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