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WEALTH MANAGEMENT


# Monthly Insight

## Finding the Right Advisor: Sometimes, You Need to Dig a Little Deeper

Like most important connections in life, the client-advisor relationship is built on a foundation of trust. The client must be able to depend on the financial advisor to provide sound, balanced counsel that is backed by solid research and an accurate understanding of financial, economic, and industry principles.

As a CERTIFIED FINANCIAL PLANNER™ professional and a Certified Private Wealth Advisor®, I am very proud that my professional designations compel me to conduct my dealings with clients according to the fiduciary standard — the requirement to always place my clients' interests above my own or those of my firm.

This tenet — to act always in the client's best interest — is the backbone of the fiduciary relationship and the bedrock of how our firm conducts business. It extends to every aspect of our operation: how I am compensated, the products and services I offer, the type of advice and recommendations I give, and the way I communicate with my clients and associates. I believe that every client is best served by an advisor who adheres to the fiduciary standard.

Unfortunately, though, it isn't enough to proclaim adherence to a standard or even to advertise it on your firm's website or a placard on the office wall. As a recent article in The Wall Street Journal makes painfully clear, even some advisors with a professional certification that entails adherence to the fiduciary standard have been found sorely lacking in professional ethics in some cases, and some have even been guilty of criminal activity. In other words, you can't put all of your trust in professional designations. To find an advisor you can depend on to operate ethically and always in your best interest, you may need to dig a little deeper than the initials following their name.

Fortunately, there are some things anyone can do to greatly increase the odds that the financial advisor they choose to work with will not only operate according to the fiduciary standard, but also has a history of open and above-board professional conduct. When considering someone to provide this service, it's a good idea to start by asking some key questions:

- Are you a fiduciary?

- How do you get paid?
- What is your investment philosophy?
- How will you decide what you will recommend for me?

When you ask these questions, listen carefully to the answers. If the advisor indicates that they are a fiduciary, but then says that they are compensated by commissions from the products they sell, that should create a big question mark.

Typically, fiduciary financial advisors are compensated by fees that are calculated either periodically (hourly, annually) or as a percentage of the assets they are managing. While some fiduciaries may be paid partly by commissions, best practices for fiduciary advisors dictate that such commissions should be clearly stated prior to any transaction, including the exact amount.

A fiduciary advisor should also be able to clearly articulate the philosophy governing recommended investments and investment strategies, and they should also be able to provide this to you in writing. They should be able to explain it in words that you understand, and they should also be able to clearly describe their process and rationale for making specific recommendations to you. If they cannot provide this information in a way that makes sense to you, it is probably wise for you to take your business somewhere else.

The Institute for the Fiduciary Standard — a nonprofit organization that seeks to provide educational resources to investors and financial professionals and to foster and promote the highest standards of conduct among fiduciary advisors — has developed a list of best practices for financial advisors who adhere to the fiduciary standard. A quick review of this list offers a pretty good overview of what you should look for if you want to do business with a fiduciary advisor. Among other things, fiduciary advisors should:

1. Act as a fiduciary at all times and affirm this commitment to the

client in writing;

2. Decline any sales-related commission;

3. Avoid conflicts of interest (such as selling a product because it provides higher compensation);

4. Mitigate conflicts of interest that are unavoidable (including full, prior disclosure to the client);

5. Maintain professional knowledge and competence (such as sustaining professional certifications);

6. Explain all agreements and disclosures clearly and truthfully, both orally and in writing;

7. Establish and document a reasonable basis for advice;

8. Follow and document a prudent due-diligence process for rendering advice;

9. Decline gifts, entertainment, or other benefits unless minimal in value, occasional in frequency, and consistent with the firm's gift and vendor relations policies;

10. Charge reasonable fees and incur reasonable investment costs, both of which are fully disclosed and explained.

In addition to asking pointed questions and being aware of the benchmarks entailed by the fiduciary standard, there are also resources available to anyone wishing to learn more about a specific advisor's regulatory and compliance history. The Securities and Exchange Commission (SEC) maintains a website (Investor.gov) and even provides advice for why and how to inspect a specific advisor's

registration status and background. If a financial advisor has been subject to disciplinary action, suspension, or other matters of concern to a current or potential client, they can get detailed information from the SEC's Investment Advisor Public Disclosure (IAPD) website. In addition, the Financial Industry Regulatory Authority (FINRA) operates a screening site called BrokerCheck that allows users to look up specific brokers or other financial advisors to verify employment history, registration, and other important background matters.

If you are taking the important step of seeking professional financial advice, you deserve an advisor whom you can trust, one who is professionally obligated to operate always in your best interest. If you or someone you know would like to learn more about how we work to earn and keep our clients' confidence, please get in touch.

**Stay Diversified, Stay *Your* Course!**

**KIMBERLY FOSS**
President, CFP®, CPWA®

*"We understand that every person we serve has distinct values and ambitions, and they each need their own plan for wealth management."*