DOING THE RIGHT THING FOR THE RIGHT REASON AT THE RIGHT TIME

The above is what an independent financial advisor who is held to a fiduciary standard is all about. The standard of financial service provided by a fiduciary requires that the client's interest always be placed above the interest of the advisor. It also requires that the advisor disclose any possible conflicts of interest including compensation related to products or referrals.

WHY IT MATTERS

Fiduciaries do not select specific investment products based upon incentives or commissions. Nor are they directed by an employer to limit a client's choices to the products most profitable for the firm. Fiduciaries are required to custom tailor their recommendations to fit the needs of their clients.

As an example of the difference this can make, consider a family of six with a household income of $150,000. They are out shopping for a car. A commissioned sales person sees them walk into the dealership and steers them toward higher priced (higher commissioned) luxury models without first fully understanding the family's specific needs. Because he *CAN* sell them a luxury sedan, he likely will. A fiduciary, on the other hand, would be obligated to learn a bit more about the family, their concerns and how they plan to use their transportation (e.g., carpooling, camping trips, running the kids to soccer practice, etc.). If the fiduciary determines that it would not be in the best interest of the family to buy a Porsche, he/she *CANNOT* sell them a luxury sedan and would likely show them reasonably priced (lower commissioned) mini-vans.

In both cases, the family leaves with a new set of wheels suitable for providing transportation. With a fiduciary, however, the family drives away in a vehicle better matched to their particular circumstances and needs.

OFF THE RACK VS CUSTOM-TAILORED SOLUTIONS

Generally, investments and client preferences can be rated along the same three continuums: growth, risk and liquidity. It's highly unlikely that one "off the rack" product can fit a client's preferences for all three. Consider a recent retiree that has amassed an IRA of $200,000 and is concerned about running out of money. It's likely this client would be looking for some growth, would be more risk adverse than her 30-year-old nephew and may be interested in greater liquidity for those emergencies that invariably arise.

For her, stocks can provide growth and they are liquid but the higher the growth, the greater the risk. A real-estate investment may be relatively safe, but her returns may be lower, and the investment is not liquid. She can invest in CDs, which are more liquid, but she'll need to accept lower growth.

Averse to cookie-cutter solutions, a fiduciary takes the time to fully understand the client's unique goals and circumstances. Only then does he/she provide a comprehensive investment and insurance plan-- all the while, fully disclosing fees, commissions and any potential conflicts of interest. In addition, some fiduciaries are qualified to provide tax strategies that could help shield hard-earned retirement savings from unnecessary taxation.

Working with an independent financial advisor that is held to a fiduciary standard is a client's assurance that they have received a recommendation in their best interest rather than in the best interests of their advisor.