

Who is Your Financial Advisor? A Fiduciary or a Sales Broker?

In 2008, the RAND Institute reported that 63% of investors believe that registered representatives are required to act in the best interests of the client (they aren't) and 70% believe that registered representatives must disclose any conflicts of interest (generally they don't).

The Fiduciary Difference

Most investors believe that all financial advisors are held to the same fiduciary standards as doctors, lawyers and accountants. However, most financial advisors are “Register Representatives” of “Broker/Dealers” who are held to a lower standard of care for their clients.

Registered Representatives are salespeople who earn commissions and frequently have competing interests with their clients.

Registered Investment Advisors are the only financial advisors who are required to provide a fiduciary level of care for their clients. Denver Money Manager, LLC is a Registered Investment Advisor and investment fiduciary.

Specific Fiduciary Duties:

1. **No Conflict Rule** - prevents a fiduciary from placing himself in a position where his own interests conflict or may conflict with those of the client.
2. **No Profit Rule** – requires a fiduciary not to profit from his position at the expense of the client.
3. **Undivided Loyalty Rule** – requires undivided loyalty to the client.
4. **Duty of Confidentiality** – prohibits the fiduciary from using information obtained in confidence with his client other than for the benefit of that client.
5. **Duty of Care** – requires the fiduciary to act with reasonable diligence and with requisite knowledge, experience, and attention.

What this means to Investors:

Fiduciary Advisor	Sales Broker
Registered Investment Advisor	Registered Representative / Stockbroker
Relationship	Relationship
Ongoing trusted advisory relationship based around service and life planning.	Transaction focused sales process with most of the compensation paid up front.
Compensation	Compensation
Fee Only: Transparent compensation paid directly from the investor to the advisor. Disclosed on advisory agreement and documented on client statements.	Commission Based: Imbedded compensation paid by the investment company to the broker at the cost of the investor. Not easily identified, not discussed and generally more expensive.
Duty of Loyalty	Duty of Loyalty
Undivided loyalty to the client under all circumstances.	Split loyalty between client and employing broker/dealer.
Conflicts	Conflicts
No conflicts of interest when recommending investments or giving advice.	Conflicts naturally exist when selling different products with different commissions or when the broker/dealer offers proprietary products.