



# TEAM TALK

## 5 Important Considerations in Understanding Financial Advice: *Being a Fiduciary, Advisor vs Broker*

One of the major developments in the Financial Services Industry in the past few years is the regulation and law surrounding how investors are to be educated about the differences in working with a Broker versus an Advisor versus a Planner. It can be very confusing but can be the most important aspect in developing the trust necessary for a positive experience for the investor. With a new law recently passed (June 5, 2019) by the SEC, here are 5 items to consider as an investor and questions to ask your financial professional.

1. **Advise or Recommend?** Is your Advisor truly an Advisor (paid solely for the advice given to you and then managing your assets) or a salesperson who is governed by the laws based on suitability (paid to recommend a product that is sold to you where additional compensation would be received by the broker or company)? We are an **RIA** (Registered Investment Advisor) firm and our oversight is by the SEC.
2. **Fiduciary Standard in Use?** In 2017, the Department of Labor's (DOL) "Fiduciary Standard" was a law that was struck down prior to going into effect in April of that year. It was intended to make it difficult for products to be sold and advice to be more uniform across the board. This became a victory for the broker/dealer world but pushed the SEC to pass their own law instead. It also pushed the CFP® board to establish a more stringent code of ethics. As a CFP® we are a Fiduciary and must act with prudence and with your best interest in mind, while considering the best cost and risk associated with your goals and objectives.
3. **Certified Financial Planner (CFP®) Designation or Not?** The future is leading towards these marks being the standard for those that want to work with a fiduciary and have an initial level of trust in working with a professional who will act with your best interest in mind. Being a CFP® since earning the designation in 2002, our firm has always put the ethics of this Mark at the forefront of the advice we offer.
4. **Cost Matters.** It is of utmost importance for an investor to understand the impact of the overall cost to your relationship and how it effects your return over time. Paying your professional is natural. But having a better idea of what you pay and what you are getting in return is a way to have a higher level of comfort with your Advisor. *"Fee Only"* and *"Fee Based"* are two terms that are used but have different meanings. Our costs have been clearly discussed and our latest *"Understanding The Phases of The Financial Life Cycle"* guide is a way to review what your charges are for what you receive from us as a team.
5. **Trust your Gut.** All relationships should come down to feeling trust and knowing in your gut that you are working with a trustworthy team of financial professionals that have not only your best interest in mind, but act with the care of a prudent person while having oversight of your financial life. Life in business is essentially sales in one shape or form. Being comfortable with what you are sold or how you pay for what you are getting is a key aspect of any relationship.

### The Bottom Line

The law passed by the SEC in June 2019 will be a starting point in truly changing the Advice industry (Expect to see *Form CRS* soon!). The CFP® board will have a large impact going forward even beyond the new standards they have established for October 2019. The DOL is reviewing another law to replace the one that was struck down in 2017. Working with an Advisor will come down to you, as an investor, understanding the key points described above. We have pride in the fact that our IMPACT on our client's lives has purpose and is based on the highest of these advice standards and will not change. Although the industry and other big changes are without question on the horizon, we expect to be at the forefront of what's to come on behalf of our clients and the valuable relationships we have cultivated for over 20 years.



## **IMPORTANT DISCLOSURES**

Past performance may not be indicative of future results. No current or prospective client should assume that the future performance of any specific investment, investment strategy (including investments and/or investment strategies recommended by the adviser), will be equal to past performance levels. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for a client's investment portfolio. The information presented herein is intended for educational purposes only, and is in no way intended to be interpreted as investment advice. In considering the information presented, readers should consult their own professional advisers, as there is no substitute for personalized investment or tax advice. Any charts, graphs, or visual aids presented herein are intended to demonstrate concepts more fully discussed in the text of this brochure, and which cannot be fully explained without the assistance of a professional from Econ Wealth Management. Readers should not in any way interpret these visual aids as a device with which to ascertain investment decisions or an investment approach. Only your professional adviser should interpret this information.