

# WHY YOU SHOULD WORK WITH A FINANCIAL FIDUCIARY



When selecting a financial advisor, it's important to know what their responsibility is to you as a client. Fiduciaries are required to act in your best interest, regardless of what they stand to gain or lose. You might assume that all financial advisors are fiduciaries, but that's not the case. An advisor's fiduciary duty requires, among other things, that they provide you with objective investment recommendations based on your needs and goals.

## Fiduciary Versus Nonfiduciary

To be considered a fiduciary, as outlined by the Investment Advisers Act of 1940, financial professionals must act in the capacity of a registered investment adviser or an investment adviser representative. They must adhere to a fiduciary standard of conduct, including a duty of care and a duty of loyalty.

The duty of care requires your financial professional to provide impartial and objective advice that's in your best interest based on your circumstances and objectives. The duty of loyalty component requires that financial professionals not place their interests ahead of yours and disclose all facts related to fees and conflicts of interest.

Many large brokerage firms have proprietary investment funds, and their employees are encouraged to steer clients toward them. Independent advisors are free to act in your best interest without pressure to promote a particular product or strategy.

Are all nonfiduciaries just looking out for themselves? Of course not. When you work with a fiduciary, however, you know they must meet the fiduciary standard of conduct.

## How to Tell If an Advisor Is a Fiduciary

Ask whether your advisor or planner is acting as a fiduciary when providing you services, and inquire about compensation. Are there commissions or non-fee-based referral fees that might influence the advice you receive?

You can also read an advisor's Form ADV, which is filed with the U.S. Securities and Exchange Commission and state securities authorities. It contains information about an advisor's business operations, how you'll be billed, and any conflicts of interest. You can get a free copy at [adviserinfo.sec.gov](http://adviserinfo.sec.gov).

## Gain Confidence in Your Finances

When managing your finances, it's critical to understand your financial professional's responsibilities to you and your goals. By choosing a financial advisor based on a fiduciary standard of conduct, you can feel confident that the services your advisor provides are done with your best interest at heart.



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