

# Can We Talk? Investor Choices in Advisers and Brokers and Investments

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[www.thefiduciaryinstitute.org](http://www.thefiduciaryinstitute.org)

# Can We Talk? The Purpose of this Conversation

- Introduction: ‘What do you think? What do investors think about the financial services industry ...?’
- Highlight “Rules for Investing” ALL investors can follow
- Offer guidance in evaluating or selecting advisors

**Question One:** What do you think when  
you hear ....

“Investing for retirement”

**Question Two:** What do you think when  
you hear ....

“Wall Street, financial services, big banks”

**Question Three: What do you think when  
you hear ....**

“Financial Advisor”

# Question Four: What do you think when you hear ....

“Fiduciary”

# Question Five: What do other investors think when they hear ....

- Gallup Poll ranks occupations for “ethics and honesty” .....
- “stock brokers” (13%), “insurance agents” (15%)  
“car sales people” (8%), real estate agents (20%)
- medical doctors (67%), “nurses” (85%)

# Choices that Matter: RIAs and Brokerage Firms are Different

- Financial advisors come in two very different forms
- Brokerage firms' sell and distribute products to investors and are "registered representatives" or salespersons for the brokerage firm





# Choices that Matter: RIAs and Brokerage Firms are Different

- Registered Investment Advisers (RIAs) advise on investing and finances as fiduciaries for their clients
- Key difference: brokerage firms are allowed to have many more conflicts of interest; RIAs are urged to avoid conflicts of interest



# Choices that Matter: RIAs and Brokerage Firms are Different

- Brokers and advisers are different jobs; one sells to you (real estate agent, car salesman) for their benefit .... to increase their sales
- The other advises for you (nurse, medical doctor) for your benefit .... to improve your health (or wealth)

# Choices that Matter: RIAs and Brokerage Firms are Different

- How one firm tells investors what they do ....
- On the website homepage in BIG Letters:  
**“Straight. Forward. ... Clear Fiduciary Responsibility”**  
..... then in the small letters in a ‘disclaimer’

## Disclaimer

The firm offers a broad range of brokerage and investment advisory services.

There are important differences between brokerage and investment advisory services, including the type of advice and assistance provided, the fees charged, and the rights and obligations of the parties. Fiduciary standards apply to accounts covered by a formal Investment Advisory Agreement. It is important to understand the differences, particularly when determining which service or services to select.

# Choices that Matter: RIAs and Brokerage Firms are Different

- That same firm's Item 5 on their ADV Part 1

A. Approximately how many *employees* do you have? Include full- and part-time *employees* but do not include any clerical workers.

16

B. (1) Approximately how many of the *employees* reported in 5.A. perform investment advisory functions (including research)?

14

(2) Approximately how many of the *employees* reported in 5.A. are registered representatives of a broker-dealer?

16

(3) Approximately how many of the *employees* reported in 5.A. are registered with one or more *state securities authorities* as investment advisers?

14

(4) Approximately how many of the *employees* reported in 5.A. are registered with one or more *state securities authorities* as investment agents?

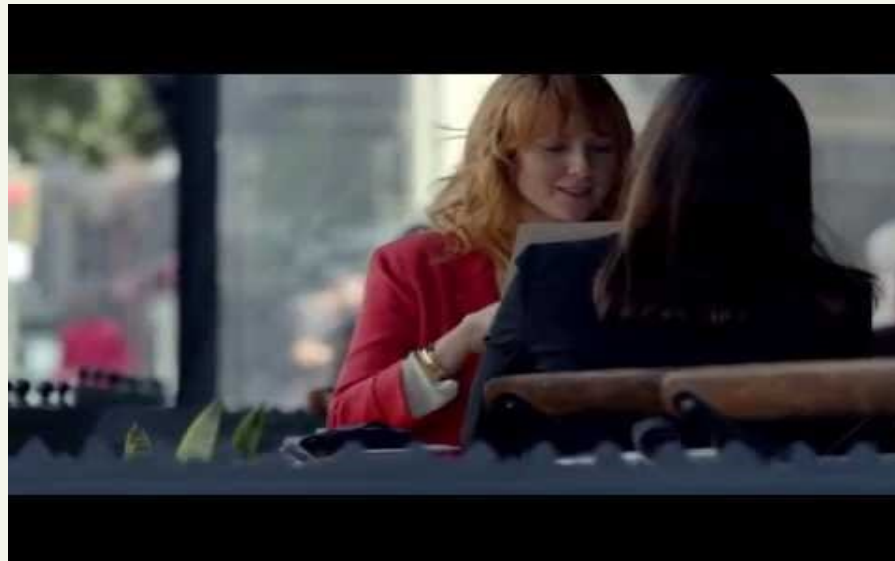
1

(5) Approximately how many of the *employees* reported in 5.A. are licensed agents of an insurance company or agency?

15

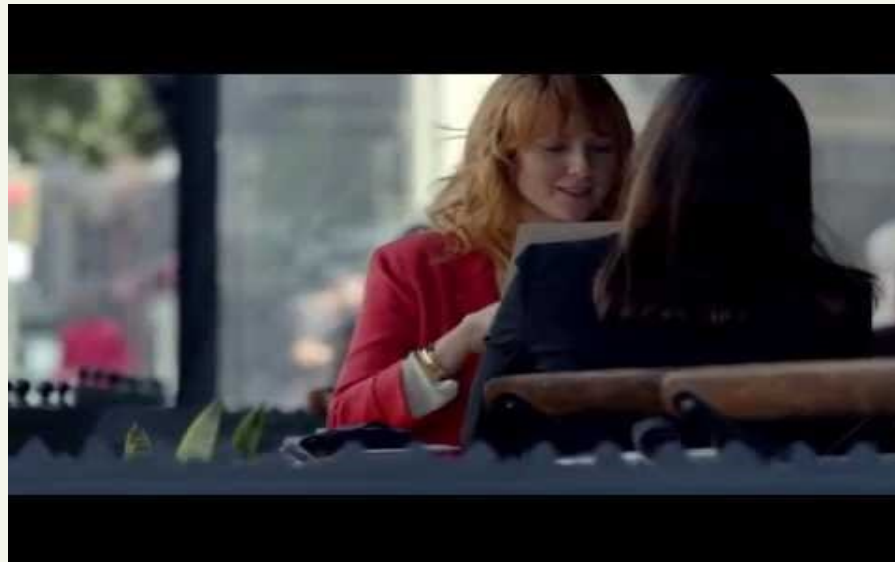
# Choices that Matter: RIAs and Brokerage Firms are Different

- How one BD “tells” investors it lists fees, expenses ....
- Edward Jones



# Choices that Matter: RIAs and Brokerage Firms are Different

- .... And then tells the Institute in an email, “Our financial Advisors discuss fees and compensation on an individual client basis as each situation is unique.”





“Houston, we have a problem.”

# Rule for Investing: Remember Who is “the Boss”





# Greatest Investors Over the Last 50 Years



- Rule for investing: Follow the leaders. Two of the greatest investors of the last 50 years: Berkshire Hathaway's Warren Buffett and Vanguard Founder John C. Bogle

# Rules for Investing

- Buffett, Bogle follow rules all investors can follow
- Buffett's Rule: clear writing and good investing
- “If you can't write something clearly ... you haven't thought it through clearly enough ... Too often I have been unable to decipher (writing)”

# Rules for Investing

- Vanguard founder Bogle preaches simplicity and low costs. “My career has been a monument to commonsense and simplicity.”
- Buffett had instructed in his will that 90% of his assets left to his heirs be put in “very low cost” funds, such as Vanguard index funds.

**Dan Solin**  
Investing Secrets

Keep It  
Simple

Principal Protected Notes  
Leveraged and Inverse E T F s HEDGE FUNDS Reverse Convertibles  
COMMODITY FUTURES-LINKED SECURITIES  
Structured Products Equity-Indexed Annuities  
NON-CONVENTIONAL INVESTMENTS

# Rules for Investing

- Buffett, Bogle: simplicity, clarity and low costs, best for all investors, sophisticated investors.
- Princeton University Endowment Fund Manager, Andrew Golden, one of the most successful university investment managers in the country ...
- Golden invests in Vanguard index funds for his personal investments.



# Institute for the Fiduciary Standard

## Best Practices

- Simplicity, clarity, low costs. What should investors require from any adviser?
- The 12 Best Practices for Financial Advisors – are what many of the best advisors in the country do
- Best Practices are concrete, verifiable and understandable to individual investors

# Institute for the Fiduciary Standard

## Best Practices

- Put in writing that your fiduciary status exists at all times
- Put in writing what clients pay. In “total costs.” In fees paid and fees and expenses received by the firm
- Avoid conflicts if at all possible; put in writing unavoidable conflicts (including commissions, 3<sup>rd</sup> party comp), and how they are overcome and managed to mitigate harms to clients
- *(No advisors are “perfect” [think Mary Poppins] ...  
No advisors are “conflict free”)*

# Institute for the Fiduciary Standard

## Best Practices – No. 1 \*

- 1. Affirm the fiduciary standard under the Advisers Act of 1940, common law, and if applicable, ERISA, and DOL's COI Rule, govern all professional advisory client relationships at all times.
- *Fiduciary status, as required in law, applies at all times in all client engagements and this affirmation is stated in writing.*
- *<http://www.thefiduciaryinstitute.org/wp-content/uploads/2017/03/BestPracticesMarch152017.pdf>*



# Rules for Investing ... Best Practices for Financial Advisors

- Follow the leaders in rules for investing
- Get your investing *swagger* on!
- Require, require, require that your advisor meet Best Practices; subscribe to the Best Practices Affirmation Program
- Best Practices Advisors are fiduciaries who do more to serve clients' best interest. They do more. They stand out. They speak out. They tell the SEC. They tell investors. They Lead.

# Thank You

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