

Why Financial Planners Need the Best Practices Affirmation Program

**Garrett Planning Network Webinar
July 20, 2017**

**Knut A. Rostad, President
Mary Malgoire, Board Member
Institute for the Fiduciary Standard
www.thefiduciaryinstitute.org**

What We Will Cover

- The Institute for the Fiduciary Standard mission and background 2011—2017
- What are the Best Practices; how they line up with CFP Board Standards
- The Best Practices Affirmation Program: What and Why?
- How all advisers and investors benefit?
- The complimentary role of the Campaign for Investors

Institute for the Fiduciary Standard

- Institute for the Fiduciary Standard formed in 2011 as a non profit to advance fiduciary principles in investment and financial advice through research, advocacy and education
- Institute produces white papers, webinars and blogs and spear heads 'Fiduciary September'
- Institute Advisors include Vanguard Founder, Jack Bogle, Luis A. Aguilar, SEC Commissioner, (2008-2015) and law professor, Tamar Frankel

Institute for the Fiduciary Standard

- Institute **Chairman's Council** of larger RIAs provides advice and support for the Institute
- Institute partnered with **NAPFA** (2014-2016) in developing Best Practices
- Institute's **Best Practices Board** (includes NAPFA members Bill Prewitt and Chris Cannon) provides guidance on Best Practices
- Institute partners with **TD Ameritrade** as the exclusive sponsor of Fiduciary September

Advice then: *‘An investment adviser should continuously occupy an impartial and disinterested position ...’*

“The report incorporated the Code of Ethics and Standards of Practice of one of the leading investment counsel associations... ‘(an investment adviser) should continuously occupy an impartial and disinterested position, as free as humanly possible from the subtle influence of prejudice...”

375 U. S. 180 (1963)

Advice now: *‘You have to think long and hard before you regulate differently, essentially identical conduct ...’*

Former SEC Chair Mary Jo White , as cited by Wall Street Journal columnist, Jason Zweig, March 21, 2015. The former Chair here is explaining her rationale for supporting the SEC writing a new “uniform standard” to treat broker-dealers and investment advisers the same.

Advice now: “A giant among unintended consequences: the diminution of fiduciary at the SEC from 2009-2015 as advocates pressed to make brokers fiduciaries”

Institute for the Fiduciary Standard president, Knut Rostad, speaking at the Retirement Income Industry Association (RIIA), July 17, 2017. For a discussion of this topic, see the Institute white paper, Conflicts of Interest and the Duty of Loyalty at the Securities & Exchange Commission, April 6, 2015..

<http://www.thefiduciaryinstitute.org/wp-content/uploads/2015/08/SECandConflictsApril62015.pdf>

'We are Family ...'

**WELLS
FARGO**

ACP
Alliance of Comprehensive Planners

LPL Financial

NAPFA
THE NATIONAL ASSOCIATION OF
PERSONAL FINANCIAL ADVISORS

**Garrett Planning
Network**



Merrill Lynch.
Bank of America Corporation

JPMORGAN CHASE & Co.





“Houston, we have a problem.”

Battle Over Meaning of Advice

Industry View: ‘We are all salespersons, now’*

- Antithetical to history, law, logic and Advisers Act
- AKA “Conflicts are OK View”: Conflicts are everywhere, part of life, cannot be avoided; thus, “acceptable”
- Widely held by certain federal securities regulators and financial service industry

*With apologies to Milton Friedman, whose quote “We are all Keynesians now” was popularized by Richard Nixon

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Best Practices Affirmation Program

- The 12 Best Practices distill fiduciary duties to a few key tasks and actions and ...
- In language that is concrete, verifiable and understandable to individual investors ...
- That require the most robust fiduciary conduct that investors “get” and value ...
- The Best Practices Affirmation Program is endorsed by leaders in the industry

Institute for the Fiduciary Standard Best Practices Endorsements



John C. Bogle



Jane Bryant Quinn



Tamar Frankel



Luis Aguilar

Institute for the Fiduciary Standard

Best Practices Endorsements



Sheryl Garrett



Cheryl Holland



Dan Moisand



Skip Schweiss

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Best Practices – A Summary

- Be a fiduciary at all times for all clients in all accounts.
- Only make recommendations that are reasonable.
- Communicate clearly. Put important notices (disclosures) and agreements in writing.
- Be clear about costs. Provide estimates of fees and investment expenses, paid by the client or paid to the advisor, in writing at the start and annually, on request, afterwards.
- Tenaciously avoid conflicts. Put in writing, get informed consent, and mitigate unavoidable conflicts.
- Avoid principal trading, unless a client insists in writing.

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Best Practices – A Summary

- Avoid commissions and third-party payments. If not avoided, explain them in plain language in writing so clients can decline the recommendation or provide informed written consent. Make sure conflicts are mitigated.
- Avoid gifts or entertainment that's not minimal & occasional.
- Have and maintain essential technical knowledge, competence and education.
- Use an investment policy statement.
- Control investment expenses.
- Affirm compliance with the Best Practices in writing.

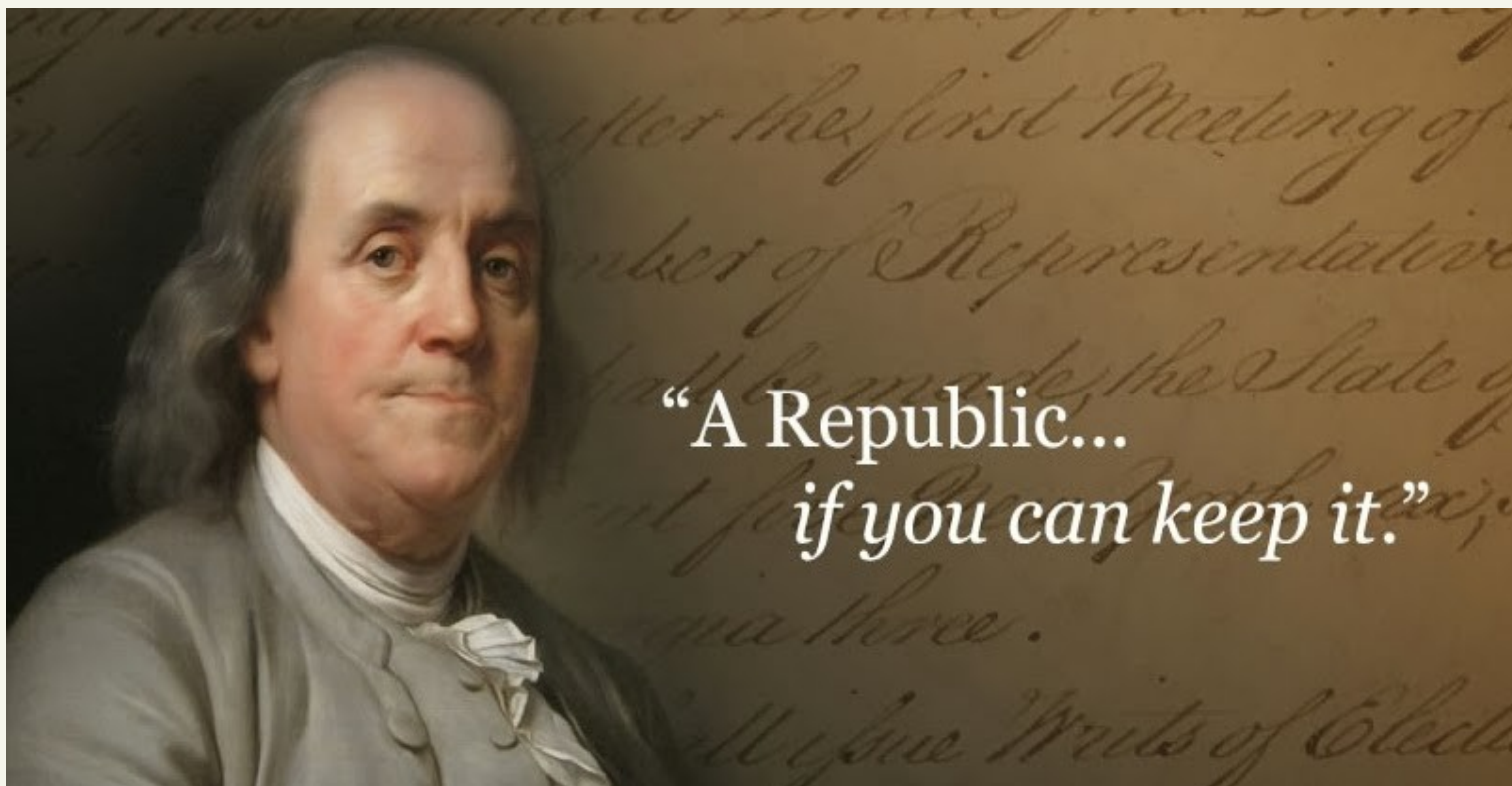
Best Practices Affirmation Program

- Best Practice advisors subscribe to the highest level practices available in the industry.
- Best Practice Advisors subscribe to a robust “self-regulation” mechanism.
- Best Practice advisors put the Best Practices on their website and language affirming their adherence to them in their form ADV.
- Advisors pay a modest annual fee.

Best Practices Affirmation Program

- Restores historic, legal, commonsense meaning of “advice”
- Separates advice from sales. Requires concrete and verifiable actions of Best Practices advisors that investors value.
- Provides investors a way to evaluate and screen advisors
- Provides true fiduciaries a straightforward way to differentiate what they do from what others say.
- Provides true fiduciaries a platform to lead.
... To do more. To stand out. To speak out.
- To help lead the movement for professional advice.

Best Practices Advisors lead ... as if their work and 'calling' depends on it




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www.campaignforinvestors.org


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GOOD ADVICE ... A WORLD OF DIFFERENCE

WE'VE ALL BEEN THERE. WE'VE NEEDED ADVICE AND TURNED TO FAMILY, A FRIEND, SPOUSE OR TRUSTED EXPERT. AND WE GOT GOOD ADVICE THAT MADE A WORLD OF DIFFERENCE IN OUR LIVES.

 **EVALUATE YOUR FINANCIAL ADVISOR.**

 **CALCULATE YOUR INVESTING COSTS.**

 **UNDERSTAND YOUR RIGHTS AS AN INVESTOR.**

Windows taskbar: File Explorer, Microsoft Word, Google Chrome, Outlook, OneDrive, Internet Explorer, Task Manager, System tray: Network, Volume, Keyboard, Date/Time: 4:52 PM 7/7/2017


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INVESTOR TOOLS

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Do I Need A Financial Advisor?
Learn what financial advisory services you need.

Does My Financial Advisor Put My Interests First?
Does my financial advisor help me with investments or financial planning decisions?


Have Other Investors Filed A Complaint Against My Advisor?
How can I find out if they have regulatory violations?

What Can I Expect If I Work With An Advisor Remotely?
What if I live in a different state from my advisor?


How Do I Feel About My Financial Advisor?
Assess how you are feeling about your advisor's help.



Evaluate your financial advisor.



Calculate Your Investing Costs.



Understand your rights as an investor.

Windows taskbar: File Explorer, Microsoft Word, Google Chrome, Outlook, and various system icons. System clock: 4:54 PM, 7/7/2017.

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How can I find an advisor who uses Best Practices for Fiduciaries?

The Institute for the Fiduciary Standard offers a list of financial advisors who affirm (publicly and in regulatory filings) their compliance with The Institute's Best Practices for Fiduciary Advisors. You can find the [Best Practices Advisors Registry here](#).

What Are My Rights As An Investor?

What you can expect from your advisor. [Download a printable PDF version](#).


Calculate Your Investing Costs

Get your free FeeX report

Tell Your Story

Other investors can benefit from learning about your experiences with a financial advisor, whether positive or negative.

JOHN OLIVER: RETIREMENT PLANS



Retirement Plans: Last Week ...

I HAVE A FINANCIAL ADVISOR

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BEST PRACTICES ADVISORS REGISTRY

Best Practices Advisors do more to serve their clients best interest. Each firm agrees to adhere to the high standards of **the Best Practices** and publicly state to federal and state regulators they do so.

Abacus Planning Group
Columbia, South Carolina
www.abacusplanninggroup.com

Aegis Financial Advisory
Lake Oswego, Oregon
www.aegisadvisory.com
[Firm Details](#)

Aegis Wealth Group

financial advisor.

Calculate Your Investing Costs.

Understand your rights as an investor.

JOHN OLIVER: RETIREMENT PLANS

Retirement Plans: Last Week ...



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