



I am a Fiduciary Financial Advisor

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November 3, 2009

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The issue of fiduciary responsibility remains at the center of controversy, as regulators debate whether broker-dealer registered representatives should fall under the constraints of fiduciary responsibility. I believe they should - the fiduciary standard of conduct is necessary to properly align investors' interests with those of the advisors who serve them. Moreover, the fiduciary standard of conduct is not onerous and should not be feared. Advisors who embrace a fiduciary standard of conduct must simply follow the guidelines set forth below.

I am a "Fiduciary"

I am a fiduciary financial advisor.

My clients place their trust and confidence in me.

I realize that, regardless of what statutes and regulations may or may not require of me (as a representative of a broker-dealer firm, insurance company, or RIA), I am a fiduciary under state common law because of the relationship of trust and confidence formed between me and my clients. As such, I possess broad duties of due care, loyalty, and utmost good faith toward my clients.

I shall act with due care

At all times, I exercise due care and provide prudent advice.

I am knowledgeable as to the advice I provide.

I follow a prudent process, and at each step I exercise good judgment.

Any investment strategy I promote is based upon my objective analysis.

The process I use to recommend an investment strategy either is substantiated by extensive back-testing or possesses strong academic support. If neither is present, and my investment strategy is novel, I disclose this fact to my client along with all of the risks of the strategy.



I conduct extensive due diligence before recommending any specific investment or insurance product.

I carefully assess the circumstances and objectives of each client, both at the outset of the relationship and periodically throughout its term.

But I claim neither prescience nor omniscience. I am not a guarantor of my client's returns.

I shall act with loyalty and utmost good faith toward my client

I affirmatively disclose all material facts to my client – *i.e.*, any fact which might affect my client's decision – in a manner which ensures client understanding.

At all times I act with utmost good faith toward my clients – *i.e.*, with perfect candor, openness, and honesty, avoiding any concealment or deception, however slight.

These disclosures necessarily include a disclosure of all of the fees and costs of any investment or insurance product I recommend, which total fees and costs I have ascertained, or at least estimated, through my due diligence.

I seek to avoid material conflicts of interest with my client. While conflicts of interest are not prohibited under my duty to act in my client's best interest, I recognize that each conflict of interest may erode the trust and confidence of my client. I recognize that certain conflicts of interest might be so egregious that the relationship of trust and confidence with my client would cease to function. These must especially be avoided.

When conflicts of interests exist, I provide specific disclosures of the conflict of interest and its ramifications for the client.

I disclose in advance all of the fees and other compensation either my firm or I receive in connection with any proposed transaction.

I recognize that mere casual disclosures, such as "there are other facts which may interest you, which can be found over there," are wholly inadequate to meet my obligation to the client. I ensure that my clients actually receive, and review, all of the disclosures provided.

I also recognize that, regardless of the form of my compensation, and despite my efforts to avoid conflicts of interest, I will always possess some remaining conflicts of interest with my client. For these remaining conflicts I will obtain my client's informed consent.

I will never, by undue influence, induce my client's consent.



I will always properly manage any remaining conflict of interest to ensure that the transaction remains at all times fair and reasonable to the client. I realize that no client would ever provide informed consent to a proposed transaction that is not in that client's best interest.

I am a professional; I will at all times adhere to my professional obligations

I possess a high degree of knowledge about financial planning and/or investments.

Because of the huge knowledge gap between me and my client, my clients place their trust in me to represent their best interests.

While I shall encourage and promote efforts at financial literacy, I understand that the vast majority of my clients will never attain the requisite knowledge to negate the need for my advice.

I understand that disclosures, whether they be of the attributes of a product or of various conflicts of interest, are insufficient in and of themselves to meet my obligation as a fiduciary, as my clients possess various behavioral biases that limit their ability to undertake sound decisions, even with disclosures.

While I may at times limit various specifics as to the scope of my engagement by the client, I will never attempt to negate my broad duties of due care, loyalty, and utmost good faith which I owe to the client.

I realize that many of my fiduciary responsibilities cannot be negated by contract with my client (such as ascertaining and affirmatively disclosing all of the fees and costs of investment products I recommend, or making plans and decisions with an eye toward minimizing income taxes long-term).

I realize that fiduciary status, once achieved, is "sticky" with respect to each client, and that clients are unlikely to request any change to a non-fiduciary relationship. Nor would a change to an arms-length relationship likely be in my client's best interests (hence, in accordance with my duty of loyalty to my client, I shall not recommend such a change). Accordingly, I will not seek to relieve myself or my firm of our fiduciary obligations to the client, except in very rare and compelling circumstances.

In the rare case that a need arises to abolish a fiduciary relationship, I will ensure that the provision of any advice of a financial planning or investment nature ceases completely, and that the client's best interests are served by such a change.

At all times during the course of my relationship with my client, I recognize that I am primarily the representative of my client.



My fiduciary obligation to my client is paramount and supersedes any obligations I may owe to my firm or to the product manufacturers that my firm may represent.

I am a professional. I will never betray the trust and confidence my clients bestow upon me.

The foregoing was formulated by Ron A. Rhoades, J.D., CFP®, Chief Compliance Officer, Joseph Capital Management, LLC. Each statement above is based upon fiduciary law as found in various judicial and administrative decisions. These statements do not necessarily reflect the views of any organization to which the author may belong. For more insight into fiduciary law as applied to the provision of financial planning and investment advice, visit www.fpcompliance.com.

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