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MONEY & INVESTING

Fiduciary Duty Hits the Street -- Sort Of

By JANE J. KIM
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A Higher Bar			
Here are three examples that show the differences between the current suitability standard for brokers and the stricter fiduciary standard for registered investment advisers.			
	 Investments	 Disclosure	 Testimonials
Registered Investment Advisers	Advisers should disclose how much they're getting paid to sell one fund over another. They must offer investments in clients' best interests.	Advisers should provide information to the client about their fees and background, including disciplinary actions.	Advisers are generally prohibited from using testimonials from clients, celebrities or sports figures in their advertising.
Brokers	Brokers recommend suitable funds. They generally aren't required to tell you if they stand to gain personally.	Brokers generally aren't required to proactively disclose past disciplinary actions to clients.	Brokers aren't subject to such a prohibition, although rules govern their advertising practices.

Comments
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Have you ever wonder why law firms, obligated by law to accept fiduciary duty, are not publicly traded companies? The mere question sounds silly, as all publicly traded companies are obligated by law to act in the best interest of shareholders – not clients.

As publicly traded companies they would have monumental conflicts of interest as to whose interests to place first – clients or shareholders. Thus, law firms are not publicly traded companies.

The largest wealth and investment management companies are publicly traded companies owned by shareholders. And, like all publicly traded companies, they must act in the best interest of their shareholders – not their clients.

If the regulators want all wealth and investment management firms to truly accept fiduciary duty, placing clients' interests before themselves and their shareholders, require each company to clearly make the following statement in their regulatory filings and on client contracts:

“We accept fiduciary duty and will place your interests before our company and our shareholders.”

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