

How RIAs Can Promote Their Fiduciary Standard

By Joshua Pace, President and CEO Trust Company of America

President Trump has signed an executive action directing the Department of Labor to review its new fiduciary rule, which had been scheduled to take effect April 10 (see DOL Files to Delay Fiduciary Rule). The rule was designed to ensure that recommendations made by financial advisors to their clients regarding their retirement accounts are always made in the best interests of the client, without any conflicts of interest. The new rule was going to require that advisors who work with retirement plans operate under a new, higher fiduciary standard which will better align advisor compensation with the client's best interests.

Despite Trump's order, many firms have indicated they will go through with the changes they've been enacting to comply with the spirit of the DOL fiduciary rule, whether the rule gets implemented or not. Indeed, client expectations that advisors should adhere to the best-interest standard has already seeped into the public's consciousness.

This trend toward lowering fees and limiting commission-based retirement accounts will likely continue, as will the movement toward greater transparency around compensation and renewed efforts to avoid inherent conflicts of interest. In the end, these developments are positive for the industry as they will build greater faith and credibility in the advisor.

For RIAs, there's good news. They are already under the fiduciary standard – so enacting the rule or rescinding it doesn't change their status. RIAs have had this higher standard in place all along and will continue to operate as such.

Shining the light on this greater standard of care actually helps differentiate RIAs. They can tout their exclusivity in the marketplace as advisors who already adhere to the fiduciary standard and already always act in their clients' best interests. It's always been part of their DNA.



As an RIA, you want your clients to know you're already operating under the fiduciary standard—that you've always put clients' best interests first.

What You Should Tell Your Clients

With all the media attention surrounding the fiduciary rule – will it be enacted or won't it – clients may have questions about all the hubbub. They understandably might be asking, "If you haven't been acting in my best interests, in whose best interests have you been acting?"

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As an RIA, you can tell clients, “Adhering to this higher fiduciary standard is nothing new for us – we have always had this high standard in place for all your accounts.”

You can explain to clients that a “fiduciary” who manages an investor’s assets has a legal and ethical obligation to put the investor’s interests first, which means helping the investor make decisions in his or her best interests. Explain to them that this fiduciary standard has been your firm’s core mission all along.

To communicate this message to clients and prospects, you may want to create a one-pager as well as include your fiduciary message on your website. Here’s an idea of what to include:

- We always put your needs first. We are committed to the highest professional and personal standards, and this commitment remains as strong as ever. Our sole focus is on your financial needs and goals and how we can best help you pursue them.
- We always act in your best interests. We are committed to putting your needs and goals before those of our firm. We strive to avoid any conflicts of interest, and if they arise and are unavoidable, we disclose these to you immediately. We provide a high level of transparency around any fees or expenses associated with your accounts, so that you always know what you own and what you’re paying for it, so there are never any surprises.
- We are an independent and objective resource. As an independent firm, we provide you with objective, unbiased advice based solely on your needs and goals. We provide guidance that is truly objective, unencumbered by any potential conflicts of interest. We have no vested interest in promoting a particular product or service. Our only interest is that your financial objectives are met.

Helping Clients Understand the Fiduciary Standard

You can explain to clients that there traditionally have been two types of standards: the suitability standard and the fiduciary standard.

The suitability standard is defined as determining whether an investment product or strategy is ‘suitable’ for the investor based on his or her financial objectives and risk comfort level. Some other advisors operate under the suitability standard where the advisor simply determines whether a recommended product or strategy is suitable for the client.

The fiduciary standard is a higher level of responsibility and the standard we hold ourselves to as your advisor. The fiduciary standard goes beyond suitability and requires that any advice on products and strategies be provided in the best interests of the investor. The fiduciary standard of care requires that the advisor take into consideration whether the fees are reasonable, whether there are any conflicts of interest, and whether the investments are adequate.

Promoting Your Commitment to the Best-Interest Standard

Tell clients that, “As your advisor, we adhere to the fiduciary standard, and we believe this model of disclosure and transparency is in your best interests. In our view, you deserve to have your needs put first and the strategies and investment products we recommend should align according to those needs.

“Our fiduciary standard mandates that every single recommendation we make must be based on your best interests, and there is no circumstance when we can place our interests above yours. By adhering to the fiduciary standard, we believe we can provide you with the highest standard of care for all your investment and retirement needs.”

Not all firms and advisors adhere to the same legal and regulatory standards. You want your clients to know that when it comes to managing their money, your relationship is built on a foundation of trust, integrity and transparency, and that your focus remains on serving their interests first and foremost.

ABOUT TRUST COMPANY OF AMERICA

Trust Company of America (TCA) is the only independent RIA custodian offering fully integrated real-time technology, consultative services and back office support exclusively to RIAs. Since 1972, TCA has been a dedicated champion of RIAs, committed to personally helping them optimize their portfolios, streamline their business processes, and achieve their full potential — all without competing for their clients. Visit trustamerica.com to learn more.

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