

## Fiduciaries rising: the ultimate way to build trust

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**THERE'S A FIERY DEBATE** going on in our industry: who's a fiduciary, who's not and who cares? Three cases in point:

- The Certified Financial Planner Board of Standards is forging a new fiduciary standard for advisors holding the CFP designation — and not everyone agrees with its approach.
- The Securities and Exchange Commission and the Financial Planning Association are locking horns over the Merrill Lynch rule. This rule lets securities brokers avoid registering as investment advisors (which would impose a fiduciary rather than a suitability standard), as long as the advice they give is incidental to their main securities-selling business.
- The Pension Protection Act of 2006 sets a new standard for professionals who want to provide investment advice to retirement plan participants. The last question, especially, is casting a lot of sparks. At the National Ethics Bureau, we believe the impact of PPA will be that more advisors will become fiduciaries even if their license doesn't require it. That's because their prospects are looking for a financial professional they can trust ... someone who sits on their side of the table. It's only a matter of time before they realize which advisors have their best interests at heart — and which don't. And they will vote with their feet (and their dollars) for the advisors who do.

So how to leverage this issue for business success? Consider whether or not to hold yourself out as a trusted fiduciary. But this means you have to give off fiduciary warmth in your practice, not just light.

For example, when helping clients buy life insurance or annuities, acting as a fiduciary

means you must make decisions based on what's best for the client, not what's best for you. You may earn commissions, but never recommend a product because it pays high commissions or bonuses. Selling a product to qualify for a trip or piece of merchandise burns a fiduciary flag quicker than a lit match torches a tinder forest. And it's unethical, as well.

Now, should you take your fiduciary philosophy a step further and address the potential conflicts that arise with commission-based selling? Watch out! This is the electrified third rail in our industry. But resolving this issue makes a lot of sense. It will allow your clients to ask you three key questions — and allow you to provide answers that build lifelong client relationships:

1. Do you promise to act in my best interests? If so, will you put your commitment in writing?
2. Will you tell me about your potential conflicts of interest, including commissions, bonuses and referral payments?
3. How are you compensated?

Clearly, this is not an easy transition to make. You'll need to rethink your products, revenue model and companies — and no doubt put out a lot of blazes in the short run.

But in the long run, advisors with a burning passion for fiduciary conduct will rise like warm air toward the heavens. Will you be one of them?

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