VENTURES

Get your adviser to work for you

When you turn over your hard-earned money to a professional so he or she can invest for your retirement, it's reasonable to assume your best interests will be taken to heart.

That's not always the case.

David **Holthaus**

Given that investors lost a collective $5.5 trillion in the markets over the past two years, it can be safely assumed that a number of investment advisers did not have their clients' interests first and foremost in their minds.

But a little-publicized item in the financial reform bill moving through Congress would *require* anyone who offers investment advice to act in the best interests of the client. That there's a need to actually legislate this says a lot about the state of the investment business today.

The standard to act in the clients' best interest is called the fiduciary duty. But many stockbrokers are held to a lesser measure, the "suitability standard." It merely calls for brokers to sell investments they believe are "suitable" for their clients, not necessarily what's best.

The difference can mean big money.

For example, you could invest $10,000 a year in a low-fee, indexed mutual fund and end up earning more than $1 million over 30 years. But investing it in another product that may still be "suitable" but earns the broker a big commission could mean earning a couple of percentage points less each year, a difference that would add up to hundreds of thousands in lost earnings by retirement time.

Unfortunately, the average investor often doesn't know the difference.

"The consumer's at a major disadvantage because of how this profession operates," said Steve Condon, a registered investment adviser with Truepoint Capital in Blue Ash.

The investment industry evolved so that now different professionals are governed by different standards. Registered investment advisers are governed by the fiduciary standard; stockbrokers, registered representatives and insurance agents are not.

Not surprisingly, big brokerage companies and insurance firms now regulated under the weaker standard are working to soften the tougher requirement in the bill.

"The average investor would be appalled to see how hard some members of the financial industry are working to avoid acting in the best interests of their clients," said Barbara Roper, director of investor protection at the Consumer Federation of America.

The life insurance industry and others argue that the requirement would put a financial burden on life agents and those who make their living through commissions. They also say most investors can't afford the fee-based advisers governed under the tougher standard.

Condon is in good company when he argues that the fiduciary standard be universally applied. No less than John Bogle, founder of the highly regarded Vanguard Group of Mutual Funds, has argued for a "fiduciary society," where those entrusted with other people's money are required by law to put their clients' interests first.

Condon recommends simply asking your financial professional if he operates under that standard.

Sounds like common sense.

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