

BEST PRACTICES

What Can Investors Expect from a Best Practice Advisor *

Life is filled with choices and unexpected events that have major financial implications. This is why understanding personal finance and how a financial advisor can help is important. The tangible rewards from excellent advice and careful planning and making good choices can be life-changing. They can mean greater security in retirement and optimism about the future.

The “Best Practices for Financial Advisors” sets out what investors have a right to expect from an advisor. Advisors who are competent and objective and know what it means to serve investors best interests will gladly follow Best Practices. These practices are key to excellent advice.

I expect that my advisor:

1. Is a fiduciary at all times for all clients in all accounts – and puts it in writing.
2. Makes recommendations that are reasonable and justifies them on request.
3. Communicates clearly. Puts important notices (disclosures) and agreements in writing.
4. Is clear about costs. Provides estimates of fees and investment expenses, paid by the client or paid to the advisor, in writing at the start and annually, on request.
5. Doggedly avoids conflicts. Puts them in writing, gets informed consent, and minimizes unavoidable conflicts.
6. Avoids principal trading (selling you products from their inventory), unless a client insists in writing.
7. Avoids commissions and third-party payments. For those not able to avoid, explains them plainly in writing so clients can either decline the recommendation or provide informed consent in writing. Makes sure conflicts are reduced.
8. Avoids gifts and entertainment that are not minimal.
9. Has and maintains essential technical knowledge, competence and education.
10. Uses an investment policy statement or a reliable investment process.
11. Controls investment expenses.
12. Affirms compliance with the Best Practices in writing.

- NOTE: The twelve bullet points here summarize the Best Practices for Financial Advisors. This summary highlights the practices. For a review of the twelve Best Practices that advisors subscribe to, see them here <http://www.thefiduciaryinstitute.org/wp-content/uploads/2017/03/BestPracticesMarch152017.pdf>