URS
Utah Retirement Systems

Fiduciary Standard

Do you need a financial advisor who is a fiduciary?

A fiduciary financial advisor is an advisor typically given discretionary authority over an account. This authority allows the advisor to buy and sell securities in the account without the owner's express consent. This discretionary authority requires the financial advisor to be held to a higher standard – a fiduciary standard. This duty is considered the highest standard of care. For financial advisors, it may mean recommending a product that best fits a client's needs but may result in little or no compensation to the advisor.

Putting Clients' Interests First

Fiduciaries provide a standard of care that involves an obligation to adhere to industry best practices including monitoring a client's situation and investments. A fiduciary must always put a client's best interests first, ahead of the advisor's agenda.

Not all advisors are legally bound by this fiduciary standard, nor are they required to always act in their client's best interests. Non-fiduciaries are held to the suitability standard which is a lower standard of care.

Fiduciary Standard vs. Suitability Standard

The suitability standard requires a financial advisor to reasonably believe that a given recommendation fits a client's needs or financial situation. The biggest difference between the two standards boils down to the decision-making process.

In determining a recommendation, fiduciaries have a legal obligation to act in the client's best interest, and to make sure the client understands the rationale for the recommendation.

With the suitability standard, advisors are not required to have the same level of discussion and understanding as it relates to the recommendation. As a result, the duty to the client's investment needs and situation is more transactional. Advisor's acting under the suitability standard are not obligated to monitor client accounts or financial situations on an ongoing basis.

Instead, the suitability standard only calls for fair dealing and best execution. The suitability standard does not require advisors to put their clients' best interests before their own, nor must they avoid conflicts of interest.

How Advisors Are Compensated

Generally, you pay for financial advice in one of three ways:

Advisory Fees » Fee-only advisors do not receive commissions. They charge either a flat or hourly rate, or a percentage of assets under management.

Commissions » These advisors are paid by the sale of investment products. They can also receive commissions from the financial institution for selling the product.

Fee-Based Advisors Also Earning Commissions » These advisors receive both commissions and/or a flat fee and are considered "fee-based." Fiduciary advisors must be fee-only or fee-based.

Do You Need an Advisor Who is a Fiduciary?

The first step is to understand what type of services you need from a financial advisor. Investors with a high level of interest in researching investments and a high level of financial acumen may not need an advisor adhering to the Fiduciary Standard but may only need help with placing trades. On the other hand, investors looking for more holistic guidance regarding strategies to meet various financial goals may be well served with an advisor who adheres to the Fiduciary Standard.

For more information, see **https://www.dol.gov/sites/dolgov/files/ebsa/about-ebsa/our-activities/resource-center/fact-sheets/a-fiduciary-guide-for-individual-consumers.pdf**

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