



Financial Focus: Financial institutions focus on profits, customers

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Q: What are the financial institution's goals and how do they look out for us?

Key word: Fiduciary

By and large, the goals of financial institutions are to increase shareholder value by generating revenue. Most financial advisers work for common financial institutions, such as brokerage firms or insurance companies and are compensated by collecting commissions. As a result, these advisers have an incentive to get clients to trade frequently and to purchase higher commissioned products.

A registered investment adviser (RIA) is another type of financial institution. Advisers who work for RIAs are held to a fiduciary standard and are required by law to act solely in the best interest of the client. They must fully disclose any conflict or potential conflict to the client. Fiduciaries will also adopt a Code of Ethics and will fully disclose how they are compensated. The personal income of a fiduciary is typically not tied to product sales or trading commissions, allowing the integrity of their advice to remain objective.

When it comes to your personal finances, take the advice of well-known Wall Street Journal writer Jonathan Clements: "protect yourself, avoid advisers who won't commit to acting as a fiduciary."

To find out whether your adviser will look out for your best interest, simply ask him or her to sign a statement saying he or she will provide you with a fiduciary standard of care.

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