

## Moral Fiber, and How to Avoid Being a Muppet With Your Investment Advisor

A recent article in [Crain's Chicago Business Magazine](#)<sup>1</sup> commented that Goldman Sachs as the "arguably the most storied investment bank on Wall Street, and has been compared to a money-sucking vampire squid called the evil empire of finance." Just recently, one of its (Goldman's') directors of the bank resigned with an editorial accusing the bank of losing its moral fiber and putting profits ahead of customer interests.

These accusations are no surprise for registered investment advisors (RIA's) such as myself. We have been getting clients that are tired of the broker-client structure for years. Many of these clients have been invested in products that generate big fees for the broker and his or her firm and tiny returns for the client. These clients have often been invested in products that underperform relative to their peers. As a matter of fact, ask any 10 RIA's who their best clients are; I am certain that nine out of ten will tell you they are clients that had previously been with a brokerage firm. These people are so grateful that we are not gouging them with fees.

You would think that anyone who manages money for others has a fiduciary responsibility to put their client's interest first. That is not correct. A broker (also called Registered Representatives, Account Executives, Financial Advisors or Wealth Managers) only has to provide "suitable advice" for a client. Broker-dealer regulations do not explicitly require brokers to act in the best interests of their clients.

A Registered Investment Advisor is first a fiduciary and second must follow a much higher standard where he or she is required to put the interests of its clients ahead of its own. Unlike the broker, the RIA must provide their "best" advice to a client.

I believe the end result when you compare a stockbroker and a Registered Investment Advisor is the potential major impact on the quality your portfolio investments, and hence, your retirement future.

The views expressed in this article are the opinions of the author, and should not be interpreted as individualized investment advice; investment objectives, risk tolerances, and the financial situation of individual investors may vary. Please consult your financial and tax advisors before investing.

<sup>1</sup> <http://www.chicagobusiness.com/article/20120314/NEWS01/120319894/goldman-sachs-lacks-moral-fiber-exec-says-on-way-out-the-door>