

# NOT SUITABLE

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In the aftermath of the credit crunch, widely publicized ponzi-schemes, and regulatory failures, there is a battle taking place that will hopefully put in motion some important steps in providing investors with unbiased advice they need. The power struggle taking place right now in Washington is between stockbrokers and insurance agents that work for the big brokerage firms, banks and insurance companies and the independent Registered investment Advisors, Certified Financial Planners that are independent or work for smaller firms.

The biggest difference between the two camps, and it is a **BIG DIFFERENCE**, is that Brokers must only bring investments that are “*suitable*” for clients. Advisers must act out of “*fiduciary duty*” which is the obligation to put their client’s interests first.

According to a report by the Rand Corp., most investors do not comprehend this very serious distinction. 63% of investors incorrectly thought that brokers are legally required to act in their best interest, and 70% thought again incorrectly that brokers had to disclose any conflicts of interest.

Advisers on the other hand must ALWAYS perform those duties!

For example: Your broker wants to make some changes in your portfolio and put you in a Dow Index Fund that is “suitable for you.” He or she is under no obligation to tell you that the annual expenses that his firm is charging you on the fund are 10 times greater than an identical fund from another company. An adviser has the DUTY and must by LAW disclose the conflict and offer the better alternatives.

The sad reality, and something I have been stating for years, was echoed by the *Wall Street Journal's* Jason Zweig, “***If Brokers had to take cost and conflicts of interest into account in order to honor fiduciary duty to their clients, their firms might hesitate before producing the kind of garbage that has blighted the portfolios of investors over the years.***”

SOURCE:

Zweig Jason [The Fight Over Who Will Guard Your Nest Egg](#) *Wall Street Journal* March 28, 2009