



How We Operate: Fiduciary Duty

Simply stated, a fiduciary is someone who is looking after your interests and putting your needs ahead of their own. But this doesn't always happen in relationships between client and financial advisor. The fiduciary standard is often misunderstood and in many cases does not apply to the professional providing financial advice.

Brokers, who often refer to themselves as financial advisors, are held to a lower standard of 'suitability' and are not required to put their clients' interests first. This costs investors lots of money each year. A recent analysis by the White House Council of Economic Advisors found that conflicts of interest in the retirement investment marketplace alone result in annual losses to US investors of about \$17 billion.

The US Department of Labor (DOL) recognizes this problem and recently passed a rule that requires retirement advisers to put their clients' best interests before their own profits. The new DOL rule attempts to address conflicts of interest faced by brokers by mandating additional transparency. In a poll conducted by a large California-based advisor, 93% of respondents said they felt it is important that advisors follow the proposed DOL rule, but nearly half weren't sure if their advisor was a fiduciary.

Other types of advisors are also coming under increased scrutiny. Web-based automated investment services, aka robo-advisers, have caught the attention of Massachusetts Secretary of State William Galvin. Robo-advisers represent themselves as a low-cost, low-hassle alternative to brokers and traditional investment advisers. However, in a policy statement released this month, the Massachusetts Securities Division stated that "fully automated robo-advisers, as currently structured, may be inherently unable to carry out the fiduciary obligations of a state-registered investment adviser."

Laurentide is an independent Registered Investment Adviser (RIA). Our independence gives us the freedom and flexibility we need to help you make optimal long-term decisions. As representatives of Laurentide, we are obligated to work as your fiduciaries and put your needs first. We also believe it is a sound approach to business to operate with a high degree of transparency when working with you, our client. It is critical for you to understand what



you are paying us to do and what we are getting out of the relationship. Your trust means everything to us.