Volume 8, No.7

SENIOR CONSULTANT
The Voice of the Investment Management Consultant

Declaration of Fiduciary Status Required on July 22nd Ushering In a New Era of Fiduciary Advisors

by Stephen C. Winks

We are witnessing the genesis of a new profession—the fiduciary advisor. The broker's declaration of fiduciary status, which has been a violation of the internal compliance protocol of most advisor support firms, is now the advisors most important marketing differentiator. Many advisors who are capable of acting in a fiduciary capacity will exponentially grow their businesses at the expense of those that can't. The SEC now requires a disclosure statement which makes it clear to the consumer whether an advisor is acting in a fiduciary capacity in making investment recommendations or whether they are acting as a broker just making the client aware of their investment alternatives, requiring the consumer to determine investment merit on their own. The SEC has brilliantly created advisor demand for fiduciary counsel and has effectively engaged the competitive market forces of the free market to create large scale institutionalized support for fiduciary counsel, which goes far beyond the resources, know how and power of the SEC. It has always been a matter of trust whether consumers could rely on the advice of their advisors. The innovation of the SEC is that it has made the intangible of trust, tangible. By the creation of a disclosure statement, the SEC has finally brought much needed clarity to the role of the advisor and in what capacity they are acting in making investment recommendations. On April 6th the SEC ruled:

> "The broker's declaration of fiduciary status, which is a violation of the internal compliance protocol of most firms, is now the advisors most important marketing differentiator."

1. Any advisor held in a position of trust by their clients, or who provides financial planning services or represents themselves as providing financial planning services (such as on an advisor's supporting firm's web site) or who provides specific services for a fee (such as in investment management consulting or PMers engaged in portfolio management) are held to a fiduciary standard.

2. The ruling established that fiduciary counsel couldn't be achieved by good intentions, method of compensation (whether fee, commission of retainer) or by public relations, but by the services offered and provided by the advisor (thus, there is an implied "common services denominator" that unifies all advisors whether they are brokers, planners, advisors or consultants).

3. It also established effective July 22nd, that advisors who are not able to declare fiduciary status, are required to use a disclosure statement (which will take on the effect of a consumer warning).

4. On October 24 all fee based advisory accounts offering asset allocation, manager search and selection, etc, which here-to-fore were considered brokerage accounts, are held to a fiduciary standard, even though those accounts are not intended to be a proxy for fiduciary counsel (thus, the obligation to bring these accounts up to a fiduciary standard).

5. In a joint advisory letter with the DOL to plan sponsors, the SEC advised as a condition of engaging the services of an advisor, the advisor should acknowledge in writing that they are acting in a fiduciary capacity.

What this means is if you are a financial planner or represent yourself as offering financial planning, you are held to a fiduciary standard of care. If you are an investment management consultant or a PMer, providing asset allocation services, manager search and selection, investment policy statements, performance monitors, tactical asset allocation, and other services for a fee, you are held to a fiduciary standard of care. If you are a broker working within a wrap fee program you are held to a fiduciary standard of care (even if the wrap fee program is not intended to be a proxy for fiduciary counsel). Advisor demand for large-scale, world-class institutionalized support for fiduciary counsel has just gone up.

The SEC's ruling of April 6th has set in motion the modernization of the financial services industry and

the emergence of a new professional standard—fiduciary counsel. With the passage of the investment advisors act of 1940, sixty-five years ago, there was no modern portfolio theory, no investment research, no generally accepted accounting principles, it was extremely complex for advisors to act in a fiduciary capacity. The best the advisor could do was to make the consumer aware of their investment alternatives, and let the consumer determine investment merit on their own. Thus, the long held rationale of 1940 was advanced that maintains brokers do not provide investment advice; any advice provided is incidental to trade execution services. Yet, today, with the internet, real-time information, personal computers and break through innovations in tools and resources that would bring fiduciary counsel within the reach of all, why would we want to limit our role to the lowest common denominator of trade execution? By the industry having historically maintained that its advisors do not render investment advice in an effort to minimize fiduciary liability, it has crippled its ability to create large scale institutionalized support for fiduciary counsel. Indeed, it is actually a violation of internal compliance protocol for an advisor to acknowledge their fiduciary obligations, artificially suppressing the level of counsel provided to 1940 levels. An entire generation of technology that would bring fiduciary counsel within the reach of all has been lost. Thus, the SEC's ruling of April 6th sets in motion the modernization of the financial services industry and the creation of large scale institutionalized support for fiduciary counsel.

Effective July 22nd all brokers at all brokerage firms, full service and independent, will be required to use a disclosure statement until their firm creates large scale institutional support for fiduciary counsel so each advisor can declare they are acting in a fiduciary capacity. The disclosure statement must be prominently positioned on the first page of all documents and agreements (to include monthly statements) so as to draw the attention of the consumer and states: "Your account is a brokerage account and not an advisory account. Our interest may no be the same as yours. Please ask us questions to ensure you understand your rights and our obligations to you, including the extent of our obligations to disclose conflicts of interest and to act in your best interest. We are paid by you and sometimes, by people who compensate us based on what you buy. Therefore, our profits, and our sales persons' compensation, may vary by product and also over time."

The disclosure statement begs several questions, which will have the effect of making it into a consumer warning. "Is your advisor acting in your best interests? If so why are they required to use the consumer warning?" "Will your advisor declare in writing they are acting in a fiduciary capacity?" "Will your advisor and their supporting firm allow their counsel to be held to an objective criteria for fiduciary counsel?" "If not are you aware that your advisor requires you to determine investment merit on your own regardless how limited your investment knowledge and experience may be?" "Is your advisor taking unfair advantage of you, by requiring you to determine investment merit?'" Does your advisor disclose all potential conflicts of interest?" "Does your advisor disclose all forms of compensation so you can determine how special incentives may affect their judgment?" "Is your advisor considered to be in a position of trust, if so why is the consumer warning needed?" "If your advisor says they are acting in a fiduciary capacity, can they prove it?" "Has an objective qualified third party audited their prudent process back to statute, case law, regulatory opinion letters, best practices (process, procedure, workflow and task) so that you can 'trust but verify' they are acting in a fiduciary capacity?" Every enterprising advisor who is able to declare fiduciary status will make the disclosure required of those that can't, take on the effect of a consumer warning.

"The old legal defense-the advisor is not rendering investment advice—no longer works, the new legal defense—the advisor is untrustworthy—is untenable for the advisor."

Effective July 22nd, it doesn't matter how business used to be done. The only thing that matters is "are you acting in a fiduciary capacity and, if so, can you prove it by an independent third party audit of your counsel back to statute, case law, regulatory opinion letters, best practices, process, procedure, work flow and task?" Those that can will exponentially grow their business until they experience competition, as all advisor support firms must respond. There is no problem with brokers and their firms continuing to pose investment alternatives and offering trade execution services. It will just be clear that no investment advice is being offered and it is impossible for the broker to add value unless the broker can make investment recommendations in the context of all a clients holdings. Only then will they know if their recommendations improved overall portfolio returns, reduced risk or enhanced the tax efficiency, liquidity, cost structure of the clients holdings as a whole.

For the past 65 years and up to July 22nd, if the consumer were to hold the advisor in a position of trust and the advisor were to make an investment recommendation and work very hard to help the investor make an informed investment decision, the advisor would not be held to a fiduciary standard, as any investment advice would be considered incidental to trade execution services provided. But after July 22nd, the advisor will be held to a fiduciary standard of care by virtue being in a position of trust. The only way for the advisors supporting firm to avoid fiduciary liability associated with the advisor rendering investment advice is either (1) for the advisor not to be in a position of trust or (2) for the

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advisor's supporting firm to build institutionalized support for fiduciary counsel, train the advisor on how to use it, and empower the advisor to declare they are acting in a fiduciary capacity. The old legal defense—the investment advisor is not rendering investment advice—no longer works because the advisor is in a position of trust and the consumer relied on their counsel. The new legal defense—the advisor is untrustworthy—is untenable for the advisor. There are no advisors who wish to be deemed untrustworthy. Clients will not need anything other than the disclosure/consumer warning to understand whether their best interests are being well served.

> **"The challenge for the industry in creating large scale institutionalized support for fiduciary counsel is how constrictive the management of the fiduciary advisor will be and whether there will be the latitude for advisors to provide world-class counsel for each market segment they serve."**

The challenge for the industry in creating large scale institutionalized support for fiduciary counsel is how constrictive the management of the fiduciary advisor will be and will there be the latitude for advisors to excel in the specific market segments they serve? If a firm's support is too restrictive and/or not world class in the counsel it supports, the firm looses its best advisors with the most assets to more progressive platforms. Traditionally, corporate legal counsel (charged with minimizing the firm's fiduciary liability regardless of its business implications) has prevailed in any discussions concerning fiduciary counsel. But the parameters have changed. If the advisor is in a position of trust, they are held to a fiduciary standard regardless how their supporting firm may insist otherwise. The traditional defense that advice is incidental to trade execution services, no longer works because the advisor is in a position of trust and the consumer is relying on the advisors counsel. Thus the SEC has fostered the long sought, unifying industry solution; the acknowledgment of the advisor's fiduciary responsibilities and the building of large scale institutionalized support for fiduciary counsel. This requires extraordinary expertise in fiduciary counsel in an industry that has denied the fiduciary obligations of their advisors. There is no existing model for large-scale institutionalized support for fiduciary counsel. The industry must find visionary leadership that (1) understands what is required by statute, case law, regulatory opinion letters and best practices, (2) understands the requisite processes, technology and technology of fiduciary counsel and (3) understands how large scale institutionalized support (people, process, technology) work together to facilitate fiduciary counsel. Legal counsel will be helpful in creating an air tight legal construct within an RIA which empowers all qualified advisors to provide continuous, comprehensive counsel necessary to fulfill fiduciary responsibility for each market segment the advisor serves. But legal counsel to the exclusion of practical business considerations no longer predominates. There is a four-way negotiation that must be managed by top management of each firm who must act as transformation leaders. The negotiation is between legal counsel and business managers on what is minimally required and what is large scale institutionalized world-class support for fiduciary counsel. Leadership is essential, as what was intended to be a racehorse might end up being a camel. Advisors don't care how complex fiduciary counsel is to support they just want world-class support. The industry will still focus on limiting fiduciary liability and maximizing margins, it will just be achieved through a different model built around large-scale institutionalized support for fiduciary counsel. Only by having an extremely strong prudent investment process are all parties well served: the advisor can declare they are acting in a fiduciary capacity, the firm is protected by effectively managing fiduciary liability, the consumer receives and can rely on world class fiduciary counsel. All advisors whether brokers, planners, PMers or consultants are unified by the common services denominator of fiduciary counsel. The difficult part in building large-scale, world-class, institutionalized support for fiduciary counsel is allaying the fears of the business managers, who are concerned about the money, power and status of their positions and the firm's existing support infrastructure which are about to be reengineered around fiduciary counsel. The only honest answer is everything changes. Very little in terms of advisor support, including the firms advisory programs, stays the same.

The industry must create a six financial service (asset/liability study, investment policy, strategic asset allocation, manager search and selection, performance monitor, tactical asset allocation) product neutral, prudent investment process that supports the continuous comprehensive counsel required to fulfill our fiduciary obligations. This prudent process must be able to be audited back to statute, case law, regulatory opinion letters and best practices by an objective third party to establish it is in compliance with the controlling regulatory authorities of UPIA, ERISA, UMIFA and UMPERS that set forth a prudent standard of care. This assures the consumer that the advisors fiduciary responsibilities are being fulfilled and that the consumer can rely on the advisors counsel. The prudent investment process must accommodate real time information on all products and services. If real-time holdings data required for continuous comprehensive counsel are not available, then by default, vendors and custodians that can accommodate real-time information, win market share. Clients understand the fee they pay is much larger, if their holdings require a high manual component to monitor. Our fiduciary obligations to our clients require us to do business differently and vendors who choose not to respond accordingly must be supplanted by those that will. The connectivity of managed accounts,

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or the real-time access to account holdings, make managed accounts particularly valuable in facilitating fiduciary counsel. Managed accounts are the only actively managed investment vehicle, which provide real-time access to account holdings. Thus in accounts held to a fiduciary standard, the investment vehicles used will likely take on much of the functionality of a managed account.

The economic benefits of creating large-scale institutionalized support for fiduciary counsel are compelling. By leveraging advisors through process and technology you empower the fiduciary advisor to deliver an unprecedented level of investment and administrative counsel, significantly cut overhead, increase earnings and margins and expand the earnings multiple by a factor of three. Structurally, the industry moves from a product management organizational structure where it is not possible to add value through a series of disjointed unrelated transactions, to a process management organizational structure designed to add value for each market segment in which the firm's advisors wish to compete. The focus is on managing process not product, because it is what you do with investment products, or process, that adds value not investment products in and of themselves. The innovation never stops in refining and enhancing fiduciary counsel. In fact the more disruptive the innovation the better, as only by continuously enhancing the prudent investment process can we find new ways to win market share.

The essence of building a large-scale prudent investment process is the industry moving from a product management organizational structure (product silos) where each product area is an independent and autonomous business unit where it is not possible to add value, to a process management organizational structure (incorporating all product areas) designed to add value. The old product management function will be restructured as a centralized research function greatly enhanced by diagnostic and evaluation technology. Values like management style, cost structure, liquidity, real time holdings access, tax efficiency as well as unlimited analytical metrics take on new importance in addition to managing the traditional values of risk and return. Rather than a broker selling investment product, the fiduciary advisor is engaged to act on their client's behalf in addressing and managing a broad range of investment and administrative values. For those that wish to continue in commission sales, real-time attribution analysis is the single most powerful commission sales tool ever invented. You can tell which investments are doing well and which are not faring well, which gives your client's great insight and certainly a reason to buy or sell. But it will soon be clear, transactions cost and poor timing in buying high and selling low, will kill a high turnover strategy of chasing performance. The best long term results for your clients will be a long term disciplined investment strategy crafted and managed by you with the entire resources of the firm behind you to make you look good. It is important to note, that commission sales can be better supported through a fiduciary counsel support infrastructure than in a commission sales infrastructure. But conversely world-class support for fiduciary counsel is not possible in a commission sales support infrastructure. The only long term ecumenical solution for brokers, planners, consultants and advisors is for the industry is to build large-scale, world-class, institutionalized support for fiduciary counsel. Fiduciary counsel is the unifying common services denominator for all advisors.

> **"There is no reason why today' financial advisor should have the level of counsel they provide limited to a level of counsel provided in 1940."**

There are at least ten major market segments advisors will serve, each requires its own prudent process to be developed and managed that would support the advisor in addressing and managing the full range of investment and administrative values necessary in the advisor fulfilling their fiduciary obligations. For individuals there is the mass (under $100k), retail ($100k to $1.6 million before estate taxation kicks in), high net worth ($1.6 million to $10 million) and the ultra high net worth (more than $10 million) market segments. For institutions there are the defined benefit, defined contribution, foundation and endowment, Taft-Hartley, public fund and profit sharing market segments. In a process management organizational structure, each of these market segments will have an enterprise manager that continually enhances the prudent process for each market segment. Success is measured by growth in revenues and market share, the professional standing of their advisor's counsel in each market segment and client satisfaction. The industry, for the first time, begins to market to each market segment with very specific messages. For example there is a very specific marketing thrust for defined contribution plans—involving newsletters, advertising, branding, direct mail, plan sponsor conferences on how to improve the effectiveness of DC plans, surveys of the DC market, any device that gets the firm's world-class defined contribution prudent process in front of as many plan sponsors as possible. Each market segment enterprise manager is accountable for and is compensated based on growth in revenues and market share. Recruiting, acquisitions, disruptive technological advances, pricing, marketing, impeccable support, innovative responsiveness to the unique needs of each market segment are the keys to success.

Technology is the key to achieving scale and scale is the key to driving down cost. The prudent process (asset/liability study, investment policy, strategic asset allocation, manager search and selection, performance monitor, tactical asset allocation) has common but different elements in every market segment (individual investors and defined benefit plans both have investment policy statements, but by necessity entail different considerations and are thus different), but the underlying tech-

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nology that drives the prudent investment process is virtually the same. Thus, a large-scale prudent process can be the source of extraordinary efficiencies and significant operating cost savings across the entire firm. The personalized services of the advisor have not been scalable because of differing client relationships, differing client needs, differing advisor abilities. The creation of large scale institutionalized support for fiduciary counsel makes the investment counsel we provide highly scalable. This makes the highest level of investment counsel, that which is capable of being held to a fiduciary standard, more cost effective to deliver than commission sales. The core technological resources required to support fiduciary counsel are very straightforward.

1. The core technology behind the prudent investment process is web-based (not web-enabled) sub-accounting, trade and order routing and reporting technology that incorporates all investment vehicles (Market Street Advisors). Web-based means you don't have to write thousands of lines of code to add functionality. Web-based technology means you can immediately and inexpensively be responsive to innovations as they occur. There is no debate about the prioritization of technological innovation spanning years, if the broad based technological application strategically makes the advisor's value proposition faster, better or cheaper it can be made immediately available. There are no longer many years of waiting for the firm to catch up with technological innovation or the advisors needs. Advantages in recruiting and in enhancing advisor productivity become primary considerations.

2. An electronic gating technology (UpStream) electronically ties all the investment and administrative values (risk, return, tax efficiency, etc.) cited in each clients investment policy statement (www.MyInvestmentPolicy.com) to the sub-accounting and trade and order routing and reporting system, so that all trades that take a portfolio outside of compliance with investment policy are electronically suppressed and managed by exception. This allows you to manage a very large number of custom client portfolios.

3. Overlay management capability(SmartLeaf, Placemark, Parametric) electronically manages a broad range of investment and administrative values either by the advisor or the advisor's supporting firm (in a centralized function that assumes fiduciary responsibility) against a custom benchmark for each client (K4). This allows you to look brilliant in areas like tax efficiency which may be beyond your personal interests and professional proficiency in constructing portfolios.

> **"In medicine, the Hippocratic Oath requires the physician to do no harm. If a procedure or remedy causes more harm than good, the physician is obligated not to perform the procedure. This trusted relationship is what makes medicine a profession. The financial services industry is about to be held to the same professional standard."**

4. The 240 investment and administrative values that must be managed in order to fulfill our fiduciary obligations are the collective "how to" subsets of the six financial services (asset/liability study, investment policy statement, strategic asset allocation, manager search and selection, performance monitor, tactical asset allocation) that constitute the prudent investment process for each market segment. Eighty percent of these values are disclosure and reporting related. By electronically managing this detail so an audited process can automatically manage an incredible amount of portfolio detail without the advisor having to think about it, the role and counsel of the advisor is greatly elevated without bogging down the advisor in a cumbersome manual detail. Much of the onerous administrative detail associated with fiduciary counsel can be automated and its burden removed.

5. The advisor's ability to literally add value is greatly enhanced by real-time attribution analysis (BullRun Financial, FactSet), tactical research (PODs, PIPODs, Dorsey-Wright, TrimTabs, etc.), RowPyn (strategic research) which all make the advisor look brilliant through portfolio construction/management. Alternatively, portfolio construction can be outsourced to DFA, SEI, Russell or firms who will assume fiduciary responsibility for portfolio construction. Advisor support firms may even choose to assume fiduciary responsibility for portfolio construction and directly integrate vendors like DFA, SEI or Russell into their proprietary prudent investment process. This does not require the advisor to be a world-class portfolio manager. With custom benchmarks (K4), it just provides advisor assess to world-class portfolio management capability.

Large scale institutionalized support for fiduciary counsel is well within the reach of all major financial services firms that support the vast majority of advisors. Other than an advisor's supporting firm not wanting to support innovation, there is no reason why today's financial advisor should have the counsel they provide be arbitrarily limited to a level of counsel provided in 1940. The SEC is absolutely correct in begging the question of the differences between brokers and advisors. If our major advisor support institutions turn a blind eye toward modernization, a new generation of leadership will emerge, who see the opportunity to use disruptive technological innovation to exponentially grow their business. Charles Schwab is very interested in winning the services of Wall Street's top advisors and has the reputation of using disruptive innovation in winning market share. Access to enabling resources is now even within the reach of individual advisors. In fact, individual advisors with as little as $50 million under advisement have found it cost effective to hire their own CIO and CAO and bring them in house along with the enabling technology and technical resources necessary to create their own proprietary prudent investment process and to do so cheaper than they are now paying

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to participate in their firm's wrap fee program. The Society of Fiduciary Advisors has put in the public domain (www.SrConsultant.com) a definition of fiduciary counsel based on statute, case law and regulatory opinion letters, has defined and identified the enabling resources necessary to support fiduciary counsel, and seeks to support advisors and institutions in their efforts to fulfill their fiduciary obligations. Fiduciary counsel is clearly within the reach of all.

A prudent investment process for each market segment makes it easy for the advisor to fulfill their fiduciary obligations and to provide an unprecedented level of investment and administrative counsel. Fiduciary counsel assures the consumer they can rely on and trust the advice the advisor is providing. Having a relationship of trust is the cornerstone of all professions. In medicine, the Hippocratic oath requires the physician to do no harm. If a procedure or remedy causes more harm than good, the physician is obligated not to perform the procedure. It is this trusted relationship and highly ethical professional discipline that makes medicine a profession. If there is a breakthrough innovation that empowers the physician to be more effective, to even prevent disease or affliction, or to better serve in the best interests of their patients, they are compelled by their professional standing to do so. To act otherwise would be unethical. The financial services industry is about to be held to the same professional standard of trust. If the processes and technology exist to provide fiduciary counsel, would we not be culpable if we didn't do everything we could to bring it within the reach of all? The advisor (whether a broker, a planner, a consultant or a PMer) doesn't have the cultural inhibitions of their supporting firms in providing fiduciary counsel, they just see an opportunity to better serve their clients and in the process a way to exponentially grow their businesses. Thus the advisor becomes the change agent, if not their supporting firms. As Smith Barney, US Fiduciary, Ameriprise, Compass Bank, SEI, Kanaly Trust emerge with new opportunities to support advisors who are acting in a fiduciary capacity, the advisor will not turn a blind eye to ways to exponentially grow their business, at the expense of those who are not able to act in a fiduciary capacity

The SIA on behalf of the brokerage industry has requested a six-month extension from the October 24th deadline when brokers working with advisory accounts/wrap fee programs will be held to a fiduciary standard. Will the industry use this time to enhance these advisory programs so they can incorporate all the clients holdings, so the disclosure and reporting requirements of fiduciary counsel can be incorporated, so a prudent process can be created that assures consumers that the advisors fiduciary obligations are being fulfilled in each market segment served? Or, will the industry use that time to find a way to continue to minimize the role and counsel of the advisor, minimizing fiduciary liability, and minimizing the value the advisor can add? If it is the later, the SEC has no reason to grant the extension. Smith Barney and other firms are already using a disclosure statement with no meaningful client push back thus far. This is why the FPA has continued with their suit of the SEC; for fear that disclosure is not enough to delineate the differences between a broker and advisor, differences in consumer protections, differences in responsibilities, differences in consumer expectations. The actions of the SEC on April 6th, provides us with all we need to reorder the industry around fiduciary principles. It is just a matter of time. Once regulatory differentiation has been made between brokers and advisors—the free markets will do the rest. Yes it would be wonderful if the FPA could sue the SEC and the SEC could mandate that everyone overnight would provide fiduciary counsel, but that presumes that everyone would immediately have the know how to execute, which is not the case. The level playing field that the FPA wishes is not possible until large scale institutionalized support for fiduciary counsel is created. Smith Barney to date is the only firm which has created large scale institutionalized support for fiduciary counsel. Their Advisor Program certifies advisors so they can declare they are acting in a fiduciary capacity in working with clients on a non-discretionary basis. Alerts are provided to advisors when a client's portfolio's asset allocation is out of balance. The advisor then helps their client to bring their portfolio back into balance. This first generation iteration of fiduciary counsel will evolve very quickly as advisors seek to enhance their competitive edge. The sure and certain way for fiduciary counsel to predominate, is for a small and growing number of fiduciary advisors to exponentially grow their businesses, at the expense of the rest of the industry until it can catch up. It is the allure of exponential growth of ones business through providing fiduciary counsel that is the principle market force that will move the industry. These fiduciary advisors have voluntarily acknowledged their fiduciary status, have established and ascribe to a very high standard of fiduciary counsel, and have found fiduciary counsel is in their enlightened best interest as a means to exponentially grow their businesses. By advancing within the free market "generally accepted investment principles" fiduciary advisors establish their professional standing. The fiduciary advisor can demonstrate the full range of investment and administrative values they address and manage and the extraordinary value they add, they can provide the consumer the peace of mind that they are continuously and comprehensively monitoring all their client's holdings, they can assure the client through their fully transparent audited prudent investment process, that they are acting in the consumer's best interest.

> **"Congratulations to the SEC for a job well done. The intangible of trust has been made tangible by disclosure statement. Advisor demand for institutionalized support for fiduciary counsel has been created. The competitive market forces of the free markets have been engaged."**

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They can win clients at will and will indeed exponentially grow their business. For advisors who can not rely on their firm's supporting fiduciary counsel and are not sure how to create a prudent investment process and provide fiduciary counsel, The Society of Fiduciary Advisors (www.fiduciaryadvisors.org) is established as an association of fiduciary advisors. Standards for fiduciary counsel have been formulated, enabling resources have been identified, and large firms and small advisory practices alike can create an audited prudent process that establishes any advisor working with in this audited prudent process is fulfilling their fiduciary obligations, making them Fellows in the Society of Fiduciary Advisors. The designation goes with the independently audited prudent investment process, not the advisor, to encourage the development of institutionalized support for fiduciary counsel. The SFA is the free market solution to the emergence of fiduciary counsel and is open to all. The SFA aids in bringing the prudent processes, technology and support infrastructure necessary to support fiduciary counsel within the reach of all.

There shouldn't be and there aren't any secrets in "how to" provide fiduciary counsel. Only by posing the fiduciary counsel alternative, will the SECs disclosure requirement work. Because the industry has not acknowledged the fiduciary responsibilities of its advisors, the industry has a blind spot in supporting fiduciary counsel. It doesn't know what it doesn't know. There are thousands of advisors, our best and the brightest, who are capable of providing fiduciary counsel who are the advisors that will reorder the entire industry around fiduciary principles. The level playing field the FPA seeks is ideal, but only by having an unlevel playing field does the fiduciary advisor have the opportunity to exponentially grow their business. Exponential growth in a free market is only possible if a very large number of advisors cannot act in a fiduciary capacity. Thus from the perspective of the fiduciary advisor, the SEC's ruling of April 6th could not be more opportune. Fiduciary advisors get to tell a very powerful story "can your advisor acknowledge in writing they are acting in a fiduciary capacity, if not can you rely on their counsel, why then are they required to use the consumer warning?" It works every time. There is nothing the broker can do except their firm developing large-scale, world-class institutionalized support for fiduciary counsel. This is the intended free market solution that serves everyone well.

The SEC's ruling of April 6th is the beginning of the entire industry being reordered around fiduciary principles. For the first time in 65 years, there is meaningful regulatory support for fiduciary counsel that would modernize the industry from an artificially suppressed level of counsel possible in 1940 to an unprecedented level of investment and administrative counsel possible today. We will see enterprising advisors exponentially grow their business as they pioneer fiduciary counsel. Every client wants their advisor to add value; every client wants to rely on their advisor's advice. Congratulations to the SEC for a job well done. The intangible of trust has been made tangible by disclosure statement. Advisor demand for institutionalized support for fiduciary counsel has been created. The competitive market forces of the free markets have been engaged. There more clients who want fiduciary counsel than there are fiduciary advisors capable of providing it. For now, the consumer demand for fiduciary counsel is insatiable. The rest is up to us.

Notes

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