Fiduciary Common Sense

Commonsense ideas have a proud American heritage. They sparked the Declaration of Independence in 1776 and are chronicled in Tocqueville's Democracy in America. They are in the Investment Advisers Act of 1940, where fiduciary duties first took root in federal securities regulation.

This e-book explains how fiduciary ideas are common sense to investors. Loyalty, prudence, transparency and "truths to be self-evident" inspire fiduciaries.

Be inspired. Find a fiduciary.

INSTITUTE FOR THE FIDUCIARY STANDARD

ATLANTIC FINANCIAL PLANNING

Why choose a fee-only Fiduciary Advisor?

Simple. Fiduciaries are better for you. Fiduciaries must meet the legal duties of loyalty, due care and utmost good faith. Loyalty. Put a client's best interest first. Due care. Act with prudence and specialized skills. Utmost good faith. Act with integrity, honesty and transparency.

Fee-only fiduciary advisors can be more candid, clear and transparent about what they do. Advisors look alike. They don't act alike. They can act as differently as night and day.

Fiduciaries are better for investors because of what they can do. What fiduciaries do is common sense. Here are five fiduciary commonsense ideas.

A fiduciary will:

- *Be loyal. Always. Advise clients in relationships of two – not three.*
- *Only accept client fees as compensation. Avoid conflicts if at all possible.*
- *Disclose all fees and expenses the client pays and the firm receives.*
- *Put disclosures and agreements in plain language writing.*
- *Maintain a recognized designation with ongoing professional education.*

Real Fiduciary™ Advisors get these commonsense ideas and sign the Real Fiduciary™ Code of Ethics. Get your advisor to sign. Then you will know you have an advisor who can act as a fiduciary.

Loyalty is law

Fiduciaries are loyal to clients. It's the law. They work in relationships of two. Brokers are different, they work for manufacturers in relationships of three.

Independent investment advisers and securities brokers are like night and day. Take their purposes and roles. Advisers advise and are required by law to be loyal. They act as fiduciaries. Advisers are in relationships of two with clients. Brokers, on the other hand, are in relationships of three. They are obliged to distribute products of manufacturers and other firms to their customers. The core differences: Brokers work for and are paid by other firms. Fiduciaries work for and are paid by clients.

Takeaway: The fiduciary's loyalty is to you. Loyalty is law. Brokers' firm loyalty is to the firms that pay them. It is not complicated. It is common sense.

Conflicts can be deadly

A fiduciary treats conflicts as a "mortal threat" to be avoided. Brokers' firms disagree. Brokers' firms welcome conflicted compensation.

Several years ago a senior regulator at the SEC said conflicts of interest are like "Viruses that threaten an organization's well-being" and if left alone are a "mortal threat to the body."

Fiduciaries and brokers see conflicts differently. Fiduciaries avoid conflicts like a deadly virus and mitigate unavoidable conflicts. Comissions and fees from manufacturers are obvious conflicts.

In contrast, Brokers' firms welcome conflicted compensation. They don't seek to avoid conflicts. They suggest these conflicts benefit investors. No surprise that brokers firms' conflicts are greater and more complex. Take fees. Fiduciaries describe their fees in a few sentences, a table or a page. Brokers firms often use many pages. Ameriprise uses 16 pages to explain "How we get paid."

Takeaway: Fiduciaries seek to avoid conflicts. Brokers' firms disagree. They welcome conflicts. They are wrong. Conflicts are like a virus. It is not complicated. It is common sense.

Hiding fees is no game

Fiduciaries believe clients should know what they pay, and what their firm earns. Brokers' firms disagree.

The relationship between a fiduciary and a client is based on trust that depends on transparency. This includes disclosure of the fees and costs that a client pays and that the firm earns from the client. Fiduciaries accept this responsibility.

Brokers' firms do not. They will not say what you pay and what the firm makes. They will tell you how you pay and how the firm makes money from you. Here is a quote from a disclosure (More revenue is bolded) from a broker-dealer RIA form ADV on "fee disclosure":

*… For brokerage accounts there is an incentive for our financial advisors to sell a fund that pays a load or a fund that pays a 12b-1 fee over funds that do not. … (Financial advisors receive) … **More revenue** from the purchase of products and services than from Wrap Fees. **More revenue** as the size of any margin account balance increases. …**More revenue** when you purchase certain types of products, such as insurance and annuity products and direct investments.*

Brokers' firms call this "fee disclosure". We call it playing games. This describes how fees are generated, not what you pay. This is laughable. Consider. Would you fix your car, renovate your kitchen or prepare a will not knowing what you pay? Would you accept just being told how you can pay -- by Zelle or credit card?

Takeaway: Fiduciaries disclose what their clients pay for advice and investments. This is basic. This is no game and is not complicated. It is common sense.

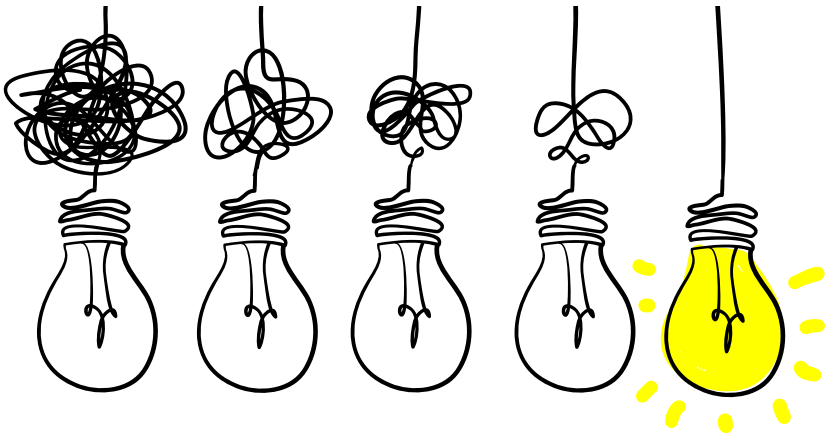
Know what you get

Clarity, candor and plain language writing. Fiduciaries believe this is what you deserve. Brokers disagree.

Finance is famous for legalese in agreements and disclosures. Legalese that is incomprehensible is too common. Warren Buffett is famous for writing reports understandable to ordinary investors. He criticizes legalese. An excerpt of a brokers' firm disclosure:

"This Summary of Programs and Services summarizes, for informational purposes only, the type of advice, investments and fees associated with the various programs and services available to you. It is … not meant to replace your close review of the terms and conditions of the programs..."

Fiduciaries will put in plain language writing their fiduciary status, important agreements, the services they provide, their conflicts and how they handle them, and what you pay for advisory and investing services. Some brokers want to put these items in writing, but they cannot. Their firms won't let them.



Takeaway: Fiduciaries explain and put what they do in plain language writing. You can understand important terms. Again, this is not complicated. It is common sense.

Education matters

Fiduciaries have a recognized designation or education. Ongoing continuing professional education matters.

CFA Institute

Members of AICPA®

FINRA, the regulator of brokers, counts over 200 designations or credentials that advisors use to show investors they are qualified. It's generally believed that only a handful of these designations are recognized and credible. Such designations require significant study and knowledge, experience and ongoing continuing education requirements, such as the CFP®, CPA/PFS, or CFA designations.

CFP
CERTIFIED FINANCIAL PLANNER

Takeaway: Fiduciaries highlight their finance education or professional designation. It is not complicated. It is common sense.

Institute for the Fiduciary Standard
Real Fiduciary™ Advisors Code of Ethics

Name of Firm: Atlantic Financial Planning
Source: Institute for the Fiduciary Standard
Topic: Real Fiduciary™ Advisors
Type of Registration: Registered Investment Advisor (SEC or State)

Fiduciary
A fiduciary is an individual or firm occupying a special position of trust and confidence, the highest standard in law. A fiduciary must act in the best interest of the client, without regard to the fiduciary's financial interest.

Fee-Only
The advisor's only method of compensation is a fee: Asset-based, fixed, or hourly. Real Fiduciary™ Advisors do not accept any type of commission for the sale of financial products, transactions, or revenue sharing.

Real Fiduciary™ Advisors validate their fiduciary practices by publishing:
- The Institute's Real Fiduciary™ Practices.
- Online content that educates investors about fiduciary issues.

Real Fiduciary™ Advisors agree to:*

1. Serve our clients as fiduciaries at all times.
2. Only accept compensation paid to us by our clients.
3. Avoid conflicts to the best of our ability.
4. Disclose and explain important information and agreements verbally and in writing.
5. Maintain our designations with ongoing education of knowledge and skills.
6. Provide advice based on clients' goals, circumstances, concerns, and tolerances for risk.
7. Disclose clients fees and expenses in writing.

Atlantic Financial Planning	Charles Ryan 10/5/2020
Firm	**Signatory/Date**

*The Real Fiduciary™ Code of Ethics summarize the Real Fiduciary™ Practices of the Institute for the Fiduciary Standard. Our advisors commit to meet these practices. Email **info@thefiduciaryinstitute.org** and view the Real Fiduciary™ Practices, at https://thefiduciaryinstitute.org/wp-content/uploads/2019/03/Real-Fiduciary-Practices-2019-02-22.pdf

The Institute for the Fiduciary Standard is the nation's leading non-profit dedicated to setting standards and advocating for fee-only fiduciary advisors and planners.

The Institute for the Fiduciary Standard formed in 2011 to provide research, education and advocacy on fiduciary principles in investment and financial advice and financial planning. The Institute is governed by a Board of Directors and benefits from the advice from some of the nation's leading experts on fiduciary law and fiduciary advisors who serve investors every day.

The Institute developed Real Fiduciary™ Practices for two purposes. First, to guide advisors in meeting the stringent demands of fiduciary duties. Second, to help investors screen for those advisors or planners who act as "real" fiduciaries at a time when all advisors and brokers say they do. The Real Fiduciary™ Practices Board worked for over two years to create ten practices that highlight what the very best fiduciary advisors do today. The Board is committed to put the practices and explanations in plain language writing that make sense to ordinary investors.

Advisors who meet the requirements of Real Fiduciary™ Practices have agreed to meet what we believe is the most stringent set of fiduciary practices set out by any regulator or private advisor group. The Institute estimates that only 5-10% of all advisors working with individual investors today are able to meet them. Each Real Fiduciary™ Advisor must place the practices on their website and also state in writing to the SEC or state regulator his or her firm adheres to the practices. You can find more information at:

thefiduciaryinstitute.org/real-fiduciary-practices

Knut A. Rostad is co-founder and president of the Institute and manages its programs and leads its strategic direction with the Board of Directors. Rostad writes articles and papers and is regularly cited in news outlets on fiduciary standards and investor protection. In 2013 he edited the book on the legacy of Vanguard founder, John C. Bogle, The Man in the Arena, by Wiley.

Find a Fiduciary; it's better for *you*.

Finding a fiduciary doesn't have to be confusing. Common sense is powerful and helped form the nation. It can help you find a fiduciary.

Fiduciaries are better for investors because of what they can do. Five such commonsense ideas described here are examples of what Real Fiduciary™ Advisors do. Find a fiduciary at: thefiduciaryinstitute.org/real-fiduciary-practices.

"Twenty years ago, I started reading the advice that comes from academia. It's no surprise that those who study finance for a living give better and markedly different advice than those selling products for a living. I started **Atlantic Financial Planning** to provide financial solutions grounded in academic research at an affordable hourly rate.

Prior to starting my own practice, I worked for several fee-only financial planning firms. I've also worked as a financial planning software developer which helped me gain a deep technical understanding of how a financial plan should be optimally integrated. I serve on the board of the Financial Education Foundation of Anne Arundel County, Maryland and am a retired Navy commander."

- Charles Ryan, CFP® | Founder

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