A call to arms for advisers to champion the fiduciary standard

Long-time fee-only advisers fear loss of a competitive edge as brokers blur the lines in the advice industry

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By **Mason Braswell**

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This fall's National Association of Personal Financial Advisers in Charlotte, N.C., featured a recurring call to arms: the organization's fee-only members must work harder to distinguish themselves in an industry becoming saturated with brokers and advisers who charge a fee for advice.

“As a long-time member of NAPFA, I have found it a tremendous marketing advantage to call myself a fiduciary in contrast to a so-called adviser at a wirehouse,” said one audience member, who voiced his concerns during a question-and-answer session.

With panels such as “Why fiduciary advisers must craft, uphold and advocate for best practices and do it now,” industry leaders urged fee-only advisers to do more to highlight what it means to be a fiduciary, outside of simply charging a fee.

“We've been touting being fee-only forever because it is an easy differentiator, but it's not the only differentiator being a fiduciary for the clients,” said Robert Gerstemeier, chair of NAPFA. “That's one of the focus areas we're setting off on — to make sure that our members, the consumer and the profession know and understand what those distinctions are.”

For example, Mr. Gerstemeier said advisers needed to show clients they provide insurance and other products that brokers can sell, but also that they do not have ties to firms that may present a conflict of interest.

“We're not being compensated or influenced by those service offering companies, whether it's a mutual fund, insurance product or annuity,” Mr. Gerstemeier said.

Being a fiduciary means taking on greater responsibility for the advice, he added. “Our members should be willing to stand in front of the client and say, 'I'm responsible,'” said Mr. Gerstemeier.

Responding to the audience member's concerns, Bernie Clark, head of Schwab Advisor Services, said fee-only planners need to do a better job of reaching out to consumers, especially younger investors who need to begin planning for retirement but may not have an adviser. Only 7% of affluent generation X and generation Y investors are working with a registered investment adviser, Mr. Clark said.

“Educating consumers is such a huge component,” Mr. Clark said. “Ask consumers basic questions, such as how important it is that their financial adviser puts their interests first.”

Tom Nally, president of TD Ameritrade's institutional business, noted that regulators have allowed brokers in some cases to market themselves as advisers. Without a uniform fiduciary standard, brokers have been able to blur the line and look like fiduciaries while operating under a suitability standard rather than a stricter “best interests” rule, he said.

“It's not that the rules are wrong; it's that the enforcement is wrong,” Mr. Nally said. “It's allowing the creep of brokers to hold themselves out as advisers but not be held to a standard. That's the real problem.”

Mr. Gerstemeier said that the fight would largely play out at a grass-roots level by NAPFA's more than 2,000 members getting the message out to consumers locally.

“We wish that we were on the Super Bowl ads,” he said. “The membership will get it out.”

Mr. Clark said Schwab plans to continue to bring fiduciary issues to the attention of legislators.

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