

# What is a Fee-Only, *True* Fiduciary Wealth Manager?

Part of the reason many clients hire an advisor is so they do not have to learn every detail of the financial services industry. They want to “outsource” those responsibilities to a professional they trust.

But what happens when the advisor they choose works for a company that is not set up to provide them with the best and fairest advice possible? Unless that company changes or the advisor changes companies they work for, the client is stuck in a bad situation, and they may not even know it! It doesn't matter how smart or caring the advisor is if they are complacent with their firm's setup.

My goal has always been to do the best work for clients with the least conflicts of interest possible. The key to achieving this goal is to always put my clients' interest first.

But doesn't every financial advisor? Not exactly.

Most advisors do genuinely want to help their clients. The problem is that their advice is often compromised from the beginning due to their compensation model. There are three types of advisors.

1. **Commission-only:** Advisors sell products to clients and receive their compensation from the company that creates the investment or insurance products. Different advice companies and financial product companies may offer similar products with differing commission structures. The advisor is under no obligation to give the client the best option, as long as it is “suitable” which is a painfully low bar. **317,936 advisors are commission-only - 46%**
2. **Fee-Based:** Fee based advisors can charge clients a fee for a variety of services but also are able to sell commissionable products. While the availability of a fee-based arrangement is a positive, there is still a question of whether other advice is in the client's best interest. What if that advisor proposed a new \$2,000,000 life insurance policy? Are they proposing it because it is the right thing to do or because they are looking for a commission? Maybe a little bit of both. **299,613 advisors are fee-based - 44%**
3. **Fee-Only:** A fee only advisor is compensated in up to three of the following ways: hourly fee (similar to an attorney's billable hours), flat fee for a specific plan and/or a fee charged based on asset under management or client net worth. They are not compensated from anyone other than the client which means that the advisor is only working for the client. The advice is what the client is buying so if they are advised to purchase insurance, pay off a mortgage or change a fund they are invested in, they can be confident it is because the advisor believes it is the right thing to do. **69,482 advisors are fee-only – Only 10% of all advisors!**

I began my career as a commission-only advisor in my early 20's. Very quickly I knew that I needed to be able to do more than just sell products to make a real difference in clients' lives. I moved to a fee-based model where I put a client's interest first and disclosed conflicts of interest. Even though I felt confident that I was doing the “right thing”, I also knew that I relied on my clients to trust me.

There was an inherent conflict of interest that I worked hard to manage. Even if clients never felt the conflict, I did and I knew there was a better way if I was willing to work for it. I knew that the key to building the deepest trust and doing the highest quality work relied on moving to a fee-only model and before long, Iron Path Wealth Management was born.

A fiduciary in its simplest terms must put their client's interest first. My ultimate goal has always been to be held to the highest possible definition of being a fiduciary, which I have finally achieved. Many people are shocked to learn that all financial advisors are not held to this standard and that it can even vary from situation to situation with the same advisor and client!

There is a big problem with finding a fiduciary. Many advisors that are fee-based will call themselves a fiduciary when they are still selling commissionable products. This inherently creates a conflict of interest where the advisor is no longer sitting on the same side of the desk as the client.

Last year the CFP Board amended their definition in light of this inherent conflict. A CFP Professional must now always act as a fiduciary, not only while doing financial planning work.

If you remember, I told you earlier that there are only 69,482 fee-only advisors but there are currently 89,753 CFP Professionals. This doesn't include the large number of non-CFP Professionals that call themselves a fiduciary.

In my professional (and possibly biased) opinion there is no better setup for clients than a fee-only true fiduciary advisor. These advisors give advice that clients can rely on without worrying about ulterior motives.

While many clients may not have known that they needed a fee-only true fiduciary advisor, Iron Path believes that our clients deserve the best. You hire Iron Path because we hold ourselves to the highest possible standard. Our only compensation comes from transparent fees, not free lunches, not free vacations, and definitely never commissions.