ASK THE **ADVISERS**

The views and opinions expressed in "Ask the Advisers" are solely those of Keith Singer.

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Advisor, Broker, or Both?

Many people are unsure if they need a financial advisor and what services they are supposed to provide. Some advisors just provide investment advice while many simply put their clients in cookie-cutter investment portfolios consisting of a mix of primarily US stocks or stock funds or ETFs and bonds or bond funds. If this is the only service they are receiving, it may not be worth hiring an advisor like that.

Some advisors are wholistic planners. They provide advice not only on investments, but also on tax advice, income planning, healthcare planning, and estate planning. They can help clients navigate major decisions like charitable giving, saving and budgeting, healthcare, debt refinancing, and adjusting to retirement. Industry studies by Fidelity show that professional advisors can add between 1.5% and 4% to a client's long-term returns.

Fiduciary advisors are legally required to act in the client's best interest. Fiduciary advisors charge a period fee in the form of either a flat fee or a percentage of assets under management. Management fees typically range between 1-1.5% but are often much lower for the largest accounts.

Brokers get paid a commission for products or investments they sell which are often hidden within the investment. Brokers are not required to act only in the best interest of their clients, and they often face a conflict of interest when giving advice, especially when one "recommendation" pays a higher commission than another.

Beware of dual-licensed advisors. Many of the brokers who work for large investment banks are dually licensed as fiduciary advisors and as brokers. That means they can seamlessly switch hats back and forth with their clients, sometimes acting in the best interest of the client and other times selling their client's investments for commissions. This is not always understood by the client and potentially creates a significant conflict of interest that may not be in the client's best interest.

For the least conflicted advice, clients should work with a fiduciary advisor who is not dually licensed as a broker.