



WHO DOES YOUR FINANCIAL ADVISOR REALLY WORK FOR?

By Norman J. (Skip) Santori, CFP, ChFC, RIA

Does the person handling your money really have your best interests at heart?

Most of us enter into a relationship with our financial advisor with a great deal of trust; we are putting our very future into their hands. So it is shocking to learn there are occasions when your advisor has personal interests, which may not be the same as yours.

Ever heard of the "Merrill Lynch Rule"?

Since 1940, Wall Street brokerage firms such as Merrill Lynch and Smith Barney have had their salespeople **exempted** from a major piece of consumer protection law: the "SEC's rules for Investment Advisors". Those rules require that investment advisors act as fiduciaries, which means someone who has taken on a position of trust, who vows to work solely on their clients' behalf. To do otherwise would be illegal.

But according to what's known as the "**Merrill Lynch Rule**", such considerations don't apply to stockbrokers, who often masquerade as investment advisors. Brokers are not required to act in your best interest. Much of the time, they are acting primarily in their own best interest and that of their firms.

In April, the SEC strengthened the rules that apply to registered investment advisors regarding such things as disclosure of conflicts of interest.

Unfortunately, the vast majority of financial advisors in the United States are sellers of financial products.

Is Disclosure Enough?

The SEC recently announced it would beef up some provisions around the Merrill Lynch Rule, requiring brokers to disclose in fine print things like "**Your account is a brokerage account and not an advisory account,**" and "**Our interests may not always be the same as yours.**"

Those kinds of notices might be helpful, but they don't really solve the problem. It's not enough for someone working on your finances to let you know they may have ulterior motives—it's more important to have someone who doesn't have ulterior motives in the first place.

Have you heard about these settlements?

A few recent high-profile legal settlements emphasize the point. Morgan Stanley just settled a complaint brought by the state of New Hampshire regarding a claim that the firm had improperly rewarded brokers for selling certain mutual funds and annuities.

Late last year, Edward D. Jones agreed to pay \$75 million after it acknowledged encouraging brokers to push certain mutual funds to customers.

Citigroup, the parent company of Wall Street brokerage firm Smith Barney, agreed to pay \$2 billion to investors in Enron who lost money when the energy company collapsed. Did these companies act in their clients' best interests, or in what they each saw as the company's own best interests? We'll never know.

What Is A Fee Only Planner?

A Fee Only planner is one who, in all circumstances, is compensated solely by the client, with neither the advisor nor any related party receiving compensation that is contingent on the purchase or sale of a financial product.

**We see our role as
our clients' Chief
Family Financial
Officer.**

A Fee Only planner may not receive commissions, rebates, awards, finder's fees, bonuses or any form of compensation from others as a result of a client's implementation of the individual's planning recommendations

Why is Fee Only Compensation of Critical Importance?

A financial planner who has a financial stake in the course of action that he/she recommends to a client faces an inherent conflict of interest and cannot be considered objective and unbiased. This is true even if the planner truly believes that he/she has only the best interests of the client at heart.

Unfortunately, the vast majority of financial advisors in the United States are sellers of financial products. Some or all of their income may be dependent upon their ability to steer their clients to a limited number of the thousands of financial products available today. (Putting aside the conflict-of-interest factor, this limiting of choices, in and of itself, often is enough to impact the quality of the investment advice). These advisors include stock-brokers, analysts, insurance agents, accountants and attorneys, as well as financial planners. Many of their clients are not aware of their advisors' dependence on selling products, or do not recognize its significance.

Santori & Peters, Inc. is a Fee Only, Registered Investment Advisor Wealth Management Planning firm

Our approach at Santori and Peters, Inc. is to focus on prudent investing that is always custom-tailored specifically for each client's purposes. And, just as important, our compensation is fee-only, never by commission. Under a fee-only arrangement, since the advisor is paid by the client rather than by the big financial companies, the only motive we have is to build our clients' assets. Our compensation is determined solely by our clients' experiences.

Santori and Peters, Inc. is not only a Registered Investment Advisor, but each principal is an Accredited Investment Fiduciary and we consider ourselves a steward of our clients' money. We see our role as our clients' Chief Family Financial Officer. We help our clients use their wealth to accomplish great things.

One Monroeville Center, 3824 Northern Pike, Suite 450, Monroeville, PA 15146-2141
www.santoriandpeters.com 800.667.6261