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Fiduciary Campaign Announced to Educate on BD and RIA Differences

Fiduciary Institute works to combat industry misinformation

Washington, D.C. [October 10, 2023] – The [Institute for the Fiduciary Standard](#) held a one-hour media briefing on September 28, 2023, announcing its latest *Fiduciary Campaign*, to help consumers better understand broker/dealers (BDs) and independent Registered Investment Advisors (RIAs), whose legal and business differences are often ignored.

Hosted by Impact Communications, Inc., the briefing included some of the industry’s leading voices:

[Knut A. Rostad](#), President, the Institute for the Fiduciary Standard

[George Kinder, CFP®, RLP®](#), Founder, Kinder Institute of Life Planning, best-selling author and thought leader in the field of financial life planning

[Dan Solin](#), President, Solin Strategic, NYT best-selling author and thought leader focused on supporting evidence-based advisors

[Justin Sanderson, CFP®, CIMA®](#), CEO, Sanderson Wealth Management, Real Fiduciary™ Advisor, Fiduciary Institute

[Yesenia Realejo, CFP®](#), Wealth Advisor, Tobias Financial Advisors, Real Fiduciary™ Advisor, Fiduciary Institute

[Marie Swift](#), CEO, Impact Communications, a thought leader and long-time resource for fiduciaries, and Fiduciary Campaign panel moderator

OVERVIEW OF THE BRIEFING

The panelists each spoke about their experiences regarding fiduciary standards and why fiduciary standards are so important for consumers.

Knut Rostad, on behalf of The Institute for the Fiduciary Standard (the Institute), focused on legal and business practice differences between BDs and RIAs. Since Regulation BI (BI) was approved by the SEC, the Institute has – along with other pro-consumer groups such as Consumer Federation, PIABA and Better Markets – highlighted its vast shortcomings.

Rostad began the briefing by explaining the difference between a broker-dealer and a fiduciary advisor, saying: “Think football. Players represent opposing teams. A brokerage represents firms whose products they sell. A fiduciary represents clients whose interests they serve. A brokerage firm lives off conflicts, commissions, and fees, while a fiduciary seeks to avoid them.”

Rostad shared the following research which confirms the need for such a campaign:

- A [2021 North American Securities Administrators Association \(NASAA\) report](#) following the progress of BI found that 76% of BDs recommend at least one costly, complex, and risky product, compared to 14% of RIAs. The [2023 report](#) concludes, in rather startling form, that firms are still relying heavily on suitability policies, and efforts to address the standard of care concepts established by BI remain perfunctory.
- [A 2017 report from the Consumer Federation of America](#), which looks at the messaging that insurance companies and BDs have on their websites compared to what is being said in legal proceedings, was shared. Rostad noted that a startling difference could be seen on their websites; the BDs stated they are offering trusted advice, while at the same time arguing in court that their reps are mere salespeople.

The reports conclude that firms still rely heavily on suitability policies and efforts to address the standard of care concepts established by Reg BI remain “perfunctory.”

“This is criticism based on research – not on politics and money or ideology,” stated Rostad. “It is research that quantifies what BDs have actually done. This research is like the eighth grade math teacher who tallied tests and quizzes and gave you a D – a barely passing grade. Ouch.”

To assist investors in understanding how much RIAs and BDs are different, The Institute’s *Fiduciary Campaign* has produced advertisements and other digital communications to get the point across.

“Today anybody can get fiduciary advice, whereas for centuries only the very wealthy could get fiduciary advice,” stated Rostad. “The messaging in the first ad makes this point.”

The messaging in the second ad, which calls out BDs and their core business of sales, states that only a fool chooses a sales pitch over trusted advice. Rostad said the ad was simply stating facts about the law and business practices.

“Investors are not fools. Investors are misled by industry messages that suggest or imply that a salesperson is your very most trusted friend or professional. This is laughable, utter nonsense,” stated Rostad.

PANELISTS EXPERIENCES REINFORCE NEED FOR BETTER MESSAGING

George Kinder joined the conversation making the point that fiduciary is a huge issue, saying: “Imagine, for a moment, if we lived in a fiduciary culture, where each large organization, each corporation, each non-profit, put the concerns of humanity ahead of their own self-interest. What a huge difference that would make, most of the problems of the world would disappear.”

Kinder pointed out that a true fiduciary advisor has three qualities or skills that have been developed extraordinarily over the last 50 years:

1. Listening to the client to understand their goals and purposes
2. Developing comprehensive financial planning through the CFP® community
3. Emphasizing fee-only financial planning as the highest standard to minimize the conflicts of interest

“If you don't really listen to the client, so you know who they are and who they really want to be, how can you possibly give appropriate financial advice,” Kinder stated. “When you have the development of comprehensive planning and add knowing who the client is, well, now you're able to actually deliver something that is powerful to society, and to the individual client with whom you're working.”

Kinder went on to speak about how this affects the population that is underserved, those that the Department of Labor Rule was created to protect, stating three things that will be happening as this fiduciary rule gets applied:

1. The financial industry will be more trusted and will be more trustworthy
2. There will be a far more efficient allocation of human resources
3. The consumer will feel inspired because they're served by a fiduciary advisor instead of just being sold the product

Dan Solin drilled down on the practical differences stating that sales contests and quotas are not barred by BI, whereas RIAs don't have sales contests or quotas to meet.

“These contests and quotas are still alive and well, and they're completely inconsistent with what's in the best interests of customers,” stated Solin. “And even though Reg BI requires brokers to disclose any conflicts, nobody's going to sift through all the fine print and say, ‘Oh, there it is. It was disclosed.’ Why is the burden on the customer to figure out all of this?”

Solin went on to state that Reg BI is too complicated and too ambiguous, pointing to the fact that it is 770 pages, but still doesn't adequately protect retail investors.

“Why does it take 770 pages to say to brokers ‘do the right thing’? The conflict-of-interest disclosure requirements are simply not effective.”

Yesenia Realejo shared her experience of working for Merrill Lynch, one of the largest retail brokerage houses in the United States, right out of college and the glaring differences to her current position as a fiduciary advisor at a fee-only RIA.

“Advisors at a brokerage firm are taught to sell products right from the start and encouraged to bring in clients right out of college. They usually have had very little to no experience or knowledge of this industry, and they were just told which products to provide, it is a very common model,” Realejo said.

DO BROKER-DEALERS HAVE ANY REDEEMING QUALITIES?

A journalist attending the briefing asked if the panelists had anything good to say about broker-dealers, saying: “This campaign seems to be adversarial, and pejoratively aimed at that segment of the business.”

“I believe that a number of brokers are people of good faith who try to do the right thing,” said Solin. “They are conflicted because their real obligation is to their employer. They have quotas. They have revenue goals. They have sales contests so it's very hard for them.”

Realejo added: “I think it's important to separate advisors from the industry and the firms for which they work. It's not coming from their own morals and ethics. It's coming from the industry and the firm. So, I do think it's important to separate the two.”

“BDs do have a fiduciary obligation,” stated **Justin Sanderson**. “But it's not to their clients. It's to their shareholders. Public corporations have fiduciary duties of care, loyalty and good faith to their shareholders. That is in direct conflict with their customers’ best interests. BD Representatives’ entire careers are developed with the interests of shareholders put above the interests of their clients. In contrast, the career development of a Real Fiduciary Advisor always puts the client’s interests first, and prescribes a lifetime of learning to uphold those standards. One of my mentors, Michael Bader, said it best: We get paid to do good for people, what’s better than that?”

FORCES AT WORK TO LEVEL THE PLAYING FIELD

Solin recalled testifying before Congress on this issue and one of the things that became very apparent to him is how politicized this issue is: “Enormous forces are aligned against the best interest of the consumer,” Solin stated. “The industry is extremely well organized. We are outmanned and outgunned, and that's where the financial press can help to level the playing field.”

Marie Swift made the point that it is important to keep a civil debate going when it comes to different business models in the independent financial advisory world. She ended the briefing with a quote from Margaret Mead: “Never doubt that a small group of thoughtful, committed individuals can change the world. In fact, it's the only thing that ever has.”

Advisors and interested others are encouraged to join the *Fiduciary Campaign*:

1. Watch the recording of the September 28th briefing and use it to help communicate key points to their clients, the press, and strategic business partners
2. Download the advertisements and language from the Institute <https://tinyurl.com/PressBriefingDocuments>
3. Amplify the messaging on social media, in email, and website communications <https://tinyurl.com/IFSBriefingRecording>
4. Educate their clients via webinars and videos, e-newsletters, conversations, etc.
5. Speak with journalists to make their voices heard

Journalists who would like to speak with any of the individuals named in this release are encouraged to contact the panelists directly and/or to work through DoriThomas@ImpactCommunications.org if contact assistance is required.

ABOUT THE INSTITUTE FOR THE FIDUCIARY STANDARD

Founded in 2011, The Institute for the Fiduciary Standard is a research and education think tank whose single purpose is to promote the vital importance of the fiduciary standard in investment and financial advice. The vision of the Institute is a fiduciary society where fiduciary principles and practices permeate the investment and financial advisory profession, and all advice serves investors' best interests. The Institute's research, education, and advocacy on the fiduciary standards' impact on investors, capital markets, and economy define its core mission and seek to inform and assist investors, policymakers, researchers, and the financial services industry. Learn more about what it takes to become a Real Fiduciary™ Advisor at www.TheFiduciaryInstitute.org.

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