



# Who you give your money to matters

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Walk into a bank or a typical stock brokerage firm and the only advice you may get is centered on purchasing the favorite stocks of the day. There are few—if any—questions asked about your present financial situation and financial future. This is how brokers earn a living: the more stocks you buy and sell, the higher the commission your broker earns. This business model is known in the industry as “suitable”.

Book an appointment with a financial advisor, and the bottom line is based on a fixed-fee, versus one centered on commission. The fee your financial advisor will charge—should you decide to work with him or her—is fixed at a percentage of your portfolio’s value. More importantly, the fee paid to a financial planner includes real advice. The planner does an extensive financial checkup that include questions and advice focused on but certainly not limited to the following:

- Your present expenses
- How to approach paying down your debt
- How much life insurance to buy

- How to make a savings plan for a home down payment and tuition
- Planning for retirement

Additionally, when life -changing events occur, your financial planner makes suggestions so your specific plan can adjust accordingly.

We call this the “fiduciary” model.

## About suitability brokers

Two things are the most influential in whether your broker is a suitability broker or a fiduciary broker. They are highlighted below:

1. Who they work for
2. How they are paid – either via a commission or fixed-fee

A broker only needs to offer you a suitable investment for your needs. For instance, a broker may advise you to buy a

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REGENT WEALTH MANAGEMENT

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As read in these Newspapers:

MORGAN HILL  
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mutual fund for retirement purposes. He or she is not obligated to disclose that the parent company of the brokerage owns the mutual funds, that other funds may offer lower fees, and other applicable information that could potentially influence his or her decision-making when offering you advice.

A stockbroker could be more interested in collecting a high commission rather than helping you properly prepare for your retirement. Certainly, there are many brokers who do as much as they can to assist investors, but are limited by their employers in products they can sell. So long as the investments they offer is suitable to your needs, they are doing their jobs properly. Many brokerage firms do train their sales representatives in providing fiduciary type services, but they still rely heavily on sales, versus performance for their clients.

Matthew Goldberg, a former broker at JPMorgan, and who now works at a New York City wealth management company, reflects back on his time with JPMorgan, "It said financial adviser on my business card, but that's not what JPMorgan actu-

ally let me be. I had to be a salesman even if what I was selling wasn't that great."

## **When brokers have a fiduciary responsibility**

On the other hand, brokers who have a fiduciary responsibility to you are paid on a fixed fee basis. It is based on an agreed to percentage of what your portfolio is worth. This encourages brokers to not churn your account, but make trades that make sense for you and that are financially responsible. The higher the worth of your portfolio, the higher the fee is for your broker. Since trading stocks does nothing for a broker working on a fixed rate, trades are only made to improve your wealth accumulation.

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