Barry P. Mitchell, Jr.

THAT NAGGING QUESTION— DO I HAVE A BROKER OR A FIDUCIARY; AND WHY DOES IT MATTER?

Barry P. Mitchell, Jr., Founder and Managing Director Next Level Private LLC

Although this may not be a question you have asked yourself, I am here to tell you that I think you should. Maybe an even better question is—what is the difference? I think we can all agree that Wall Street seems to make simple stuff really complicated. I will try to help clarify these questions and also ask and answer a couple more.

To the delight of some of the major Wall Street firms, certain professional titles tend to be used interchangeably. You have likely heard some of those names; fiduciary, planner, financial advisor ("or" or "er") broker, and RIA (registered investment advisor) to name a few. The titles may be used by those who, very simply, help individuals, families, and even companies, plan for and execute a plan for their financial future. But there are some very distinct differences in the way those individuals may treat you and your family and the confusion that creates may prevent individuals who could really use help with their finances from seeking and receiving that help. Don't let that be you!!

Instead of titles, let's think in terms of responsibility, where there are fiduciaries and non-fiduciaries. Simply put, a fiduciary is an individual or firm that is legally obligated to always put their client's best interest above their own, and to disclose any conflicts of interest. Fiduciaries are held to what is known as the "fiduciary standard." If an individual or a firm is not a fiduciary, they are brokers (a non-fiduciary). Brokers are registered representatives that hold certain licenses and may work for a major bank or a brokerage firm. They are not fiduciaries, and they are not held to the fiduciary standard. They are held to a lesser standard known as the suitability standard (another confusing Wall Street concept for another article). In fact, many of the household name firms that we all know spend millions of dollars on public action committees and lobby groups to fight regulations that could hold them and their representatives to the fiduciary standard.

The next question is why—why would they do that? Once again, there is a simple answer—money and profits. Since non-fiduciaries do not have to put the interest of their clients above their own, there are many ways the non-fiduciary firms profit at their client's expense.

>Continued on page 10

>Continued from page 9

In the spirit of full disclosure, before starting Next Level Private LLC, I spent over 34 years at companies that followed the suitability standard, rather than the fiduciary standard. I, like many registered reps or brokers, who truly try to act in their clients' best interests, am simply held to a lesser standard. In the past when asked the question, "Are you a fiduciary?" I always had to answer, "No I am not." Now, I gleefully answer, almost victoriously, **"Yes I am!"**

The final question to answer is—does it really matter? And the answer is, **you bet it matters**. An analogy may help drive this point home—if you read my last article regarding golf and long-term investing, you know that I enjoy using analogies, particularly those related to sports. I have a lifelong passion for swimming, especially open-water swimming. The best place to find me between 5:30 and 7:00 most mornings is swimming in the Long Island Sound. In addition, as an open-water swimmer with a purpose, I am passionate about Swim Across America which raises funds to "Make Waves to Fight Cancer." I have been swimming and advocating for SAA for 15 plus years and this past year, our new firm, Next Level Private, created a team to participate and raise money and awareness for cancer research. As I was swimming in this year's SAA 30th Anniversary Sound event with my daughter, I could not help but think how easy it was this year because the current and wind were at our backs. One might say we were swimming downstream. Other years were much more difficult swimming into the current and the wind. At the end of the day, the result would have been the same. I would have finished because failure is not an option. It just would have been harder and taken more time because it would have felt as if I was swimming upstream. The same is true about your financial future. When you work with a true fiduciary, several layers of friction (like wind and current) and costs can be and are often eliminated or reduced—just like swimming downstream. Why swim upstream when swimming downstream is so much easier? You will probably achieve some or all of your financial goals whether your advisor is a fiduciary or a broker, but why not put yourself in a position financially to swim downstream and hire someone you know only does better when you do better? Hire a fiduciary!

Disclosure: Next Level Private LLC is a registered investment advisor. This commentary is for informational and educational purposes only. Next Level Private renders investment advice on a personalized basis, only after gaining a full understanding of a client's goals and financial situation. Please contact us with any questions you may have.