

# Is Your Financial Advisor a Fiduciary? What It Means and Why It Matters

## INSIGHTS

Chief Executive Officer, John M. Dowd, discusses what the fiduciary standard really means and why it is so important.



**JOHN M. DOWD**  
Chief Executive Officer

The term “fiduciary” has become a bit more familiar to investors in recent years. But it is clear to me that the wealth management industry still has a lot of work to do if we want investors to understand what the fiduciary standard really means and why it is so important.

As a pioneer in the field, Fiduciary Trust takes this responsibility seriously. I believe we have an obligation to help investors draw a clear line of distinction between financial professionals who operate under the fiduciary standard of care and those who follow the more common suitability standard. Both have their proper place in the world of investing and financial planning. Our job is to help investors understand exactly where that place is.

## How to Spot a Fiduciary

In short, the fiduciary standard goes well beyond the obligation to make investment recommendations that are suitable for investors. We are held to a higher standard: placing the interests of our clients ahead of all others—even

the financial interests of our firm. So fiduciaries are often the logical choice among families that are transferring wealth from one generation to the next or relying on professionals to make important financial decisions on their behalf.

## Avoiding Conflicts

Conflicts of interest come in a variety of shapes and sizes, but the most visible conflicts are often related to compensation. For example, fiduciaries do not typically earn commissions for buying or selling securities on behalf of our clients. Because we take a holistic approach to wealth management, providing advice on an ongoing basis, our compensation is usually in the form of an all-inclusive fee. We specialize in relationships, not transactions.

Fiduciary Trust has a long track record of avoiding business practices that might conflict with our fiduciary duty to clients. In my opinion, this vigilance is one of our firm’s greatest strengths. In fact, Fiduciary Trust was founded by a group of professionals who saw other trust companies branching out into commercial banking and brokerage services and wanted to avoid the distractions of ancillary businesses. Our founders created their own set of fiduciary standards in 1931, nine years before the SEC established

industry-wide regulations. So you could say the fiduciary standard is our birthright. It is in our corporate DNA.

## Due Diligence

Fiduciaries are required to take all material available information into consideration before making decisions for their clients. At Fiduciary Trust, that means employing an extraordinary level of due diligence—for big decisions and small decisions—carefully weighing the pros and cons of all options. We can clearly articulate the rationale for every decision we make.

This level of due diligence requires a significant investment of time and resources. We analyze every security we purchase, including mutual funds sponsored by Franklin Templeton, our parent company, and third-party managers that offer expertise in specialized disciplines. When a new client joins the firm, his or her investment account is reviewed thoroughly to ensure assets are appropriately allocated. Annual audits by the Trust Investment Review Committee ensure that the portfolio is still being managed in accordance with the client’s wishes.

## Transparency

Fiduciaries are required to provide investors with transparency: a clear



understanding of the services we provide, compensation we receive and our general business practices.

But we take the issue of transparency one step further, providing each client with direct access to the professionals who manage their investment portfolios, as well as the members of our executive management team, tax specialists and trust attorneys. When our clients “look behind the curtain” at our investment process, they see exactly how we are earning our fees. This level of accessibility is truly differentiating for Fiduciary Trust.

## Raising the Bar

Every day, I am privileged to see the true meaning of the word “fiduciary” in the actions of my colleagues, from our most senior-level portfolio managers to our junior-level administrative assistants and everyone in between. Across the ranks, these are intelligent, hard-working, conscientious individuals who embrace the fiduciary standard in everything they do, providing an elevated level of care and loyalty that is the hallmark of this firm.

Sometimes that means making decisions that are less profitable

for our company but better for our clients. It always means going the extra mile, never choosing the path of least resistance.

These principles are timeless. For generations, families have been turning to Fiduciary Trust for guidance on their most complex financial needs. In my view, this strong fiduciary culture is one of the main reasons Fiduciary Trust has been so successful for the past 85 years. As CEO, my goal is to preserve and protect this fiduciary culture as our firm evolves to meet the changing needs of families around the world.

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- Investment Management
- Manager Selection and Monitoring
- Trust & Estate Planning and Administration
- Charitable Giving
- Advanced Tax Planning
- Master Custody and Safekeeping



**Fiduciary Trust International Offices**  
New York, NY  
(877) 384-1111

Arlington, VA  
(703) 647-4132

Boca Raton, FL  
(561) 988-8460

Coral Gables, FL  
(800) 618-1260

Fort Lauderdale, FL  
(561) 988-8460

Los Angeles, CA  
(800) 421-9683

San Mateo, CA  
(877) 284-2697

St. Petersburg, FL  
(800) 618-1260

Washington, DC  
(888) 621-3464

Wilmington, DE  
(866) 398-7414

London  
(44) 20-7073-8500

**Fiduciary Trust Company of Canada Offices**

Calgary  
(800) 574-3822

Toronto  
(800) 574-3822

**FTCI (Cayman) Ltd.**

Grand Cayman  
(877) 384-1111

(212) 632-3000

(calling from outside the US)

[fiduciarytrust.com](http://fiduciarytrust.com)

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