I understand that letters opposing a fiduciary standard for all investment advisers greatly outnumber letters in support of putting clients first. That development is not surprising if one considers the blatant conflicts of interest that exist in the relationship between broker/dealers, insurance agents, and their clients, with the clients always on the losing side.

If a strict fiduciary standard was to be imposed immediately, these are the conflicts that each commission-based adviser would have to disclose to the client:

> "I work for the company that supplies the investment products I sell.
>
> If you buy shares of a mutual fund from me, you will pay me a sales charge called a "load". Similar funds are available online without any such charge.
>
> If the charge is a "front-end" load, I will deduct it before I actually make the investment. For example, if the front-end load is 5.75%, and you give me $10,000, only $9,425 will be invested for you.
>
> There are load discounts available for large purchases
>
> None of the load is used to manage the assets in the fund
>
> In addition to the loads, you will also pay an annual "12(b)-1" fee of .25% as long as you own the mutual fund. There are no 12(b)-1 fee discounts for large purchases.
>
> Some of the 12(b)-1 fee may be used to pay for services that I provide for you. The rest goes to marketing the mutual fund. None of it is used to manage fund assets, and nothing will be refunded if you do not use any of the services.
>
> After you have purchased several mutual funds and other investments from me, I may start charging you a quarterly fee for managing your portfolio, in addition to all the other fees you are paying."

As a financial planner in a fee-only RIA firm, I have personally observed these practices used in the accounts of clients who come to us for objective advice. The quarterly and annual statements issued to these investors do not account for any of the money being drained off from uninvested front-end loads and 12(b)-1 fees that are deducted from each mutual fund's net asset value.

There is nothing in the charging of loads and fees that cannot be accommodated under the suitability standard, but the lack of transparency in the marketing of some financial products allows the diversion of many billions of dollars a year that would otherwise be used to buy additional investments. The financial services industry, as a whole, needs a fiduciary standard of care to be applied to all who hold themselves out as “advisers”.

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