BrightPath Financial

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A fiduciary is an individual or organization who has a legal duty to act in the best financial interests of someone else. Fiduciaries have a bond of trust with clients and a duty to only recommend investments and other financial planning products that are the best fit for their clients. A fiduciary financial advisor manages their clients' investments in a way that is aligned with the clients' best interests.

If you've been confused about the distinction between a fiduciary and a financial advisor — or altogether just wondering, "What is a fiduciary?" you're not alone. Fiduciary financial professionals must follow certain rules and regulations, but it's not always easy to tell if you're working with one.

Some financial advisors can act in a fiduciary capacity, but be careful — this does not mean that all advisors are fiduciaries.

The suitability standard is set by the Financial Industry Regulatory Authority, or FINRA. The "reasonable belief" in the suitability standard leaves room for broker-dealers to recommend products that will increase their bottom line through commissions, but may not necessarily be the best investment for you. The main difference between a fiduciary duty and the best interest suitability standard is that fiduciary duty means an advisor **must** act in the best interest of their clients. The suitability standard means a broker-dealer must **have a reasonable belief** that an investment, transaction or the frequency of transactions is suitable for the customer.

Registered investment advisors are legally fiduciaries, but broker-dealers and other types of money managers are not. Some financial advisors, such as certified financial planners, may also be fiduciaries.

If your financial advisor doesn't have a fiduciary duty to you, they may be able to recommend investments or products that pay them a bigger commission over ones that would be the best fit for you, which could cost you more. Fiduciaries, on the other hand, must act in your best interest. That's why it's considered better to work with a fiduciary rather than an advisor who is simply following the suitability standard.

The easiest way to verify that a potential advisor is a fiduciary financial advisor is to simply ask and then **verify** their status. To check that they're registered with the SEC, use FINRA's BrokerCheck database brokercheck.finra.org

There are many different types of financial advisors, and beyond that, several certifications and licenses those advisors can hold. Few titles beyond investment advisor and broker-dealer are regulated at all, including common titles like "wealth advisor" and "financial advisor," so it's especially important to vet any potential advisors before committing to one.