# Why You Need Independent Financial Advice

A publication of PaladinRegistry.com

## Introduction

If you're like most people you don't associate "independent" with the investment of your assets. You assume all financial advisors provide independent advice, but that is a very risky assumption.

Most advisors do not provide independent advice. Their advice, which may be controlled by their firms, is tainted by their need to generate revenue and income from your assets.

## Why Do So Many People Invest With Big Firms?

Many investors:

- Believe big is better
- Feel safer investing with big firms
- Say brand names are easier to find
- Believe what they see on television

The headlines of major publications tell a different story. The biggest firms on Wall Street have paid more than $100 billion of fines for cheating clients.

## Why Do Wall Street Firms Rip-off Their Clients?

Firms do not rip-off clients, the executives who run the firms rip-off clients.

Reasons why executives rip-off clients:

- The executives' firms have a lot of overhead
- Executives have to meet shareholder expectations for growth
- The executives want bigger bonuses
- Executives have no meaningful consequences

Company assets are used to pay the fines. Regulatory agencies allow companies to pay fines without admitting guilt. This way no executives go to jail when they rip-off clients.

## How Can I Make Sure My Assets Are Safe?

Small firms are not allowed to come in contact with your assets. They must use third party custodians to hold your assets, such as:

## Who Are The Independent Service Providers?

They are small planning and investment advisory firms that are headquartered in your community or nearby. Professionals who own the firms work there. You work direct with the firms' principals and key employees.

## How Can Small Firms Provide Sophisticated Advice?

Wall Street firms would like you to believe they are your only source for sophisticated advice and services. That is not true. Independent advisors may have even greater access to high quality research because they are not limited to reports from in-house analysts.

## Why Are Independent Firms Hard To Find?

There are 3 reasons:

- They have limited marketing budgets
- They spend most of their time advising current clients
- Most of their clients are referred to them

## What Registrations Do High Quality Independent Firms Hold?

High quality independent firms and advisors are Registered Investment Advisors (RIA) or Investment Advisor Representatives (IAR). RIAs are firms. IARs are financial advisors who are registered with RIAs.

- These registrations permit firms and professionals to provide financial advice and ongoing services for fees.
- RIAs are registered with the Securities and Exchange Commission or your State Securities Commissioner.
- These are the same organizations that regulate Wall Street firms.

## Who Owns The Independent Firms?

These firms don't have thousands of shareholders, boards of directors, and layers of executives. In most cases, the professionals who work at the firms own the firms. Your advisor may be an owner or a partner at the firm.

Small investment firms are like local CPA and law firms. The professionals who own the firms live in your community.


## Why Should I Select A Financial Fiduciary?


RIAs and IARs are financial fiduciaries who are held to the highest ethical standards in the industry. They are required by law to put your financial interests ahead of their own.

Stockbrokers are not fiduciaries. They are held to lower ethical standards.

## Why Is It Important To Pay Fees For Financial Advice?

There are two ways to compensate financial professionals for their advice and services: Fee and Commission.

You should pay fees to advisors for the same reason you pay fees to other professionals (CPA, attorney) that you depend on for specialized knowledge, advice and services.

**Fees and Commissions**

1. Your only method of paying advisors direct is with a fee
2. Third parties, like mutal funds, pay commissions to advisors who sell their products

Advisors who are compensated with fees have fewer conflicts of interest compared to salesmen who are paid commissions.

## What About Clients And Assets?

Wall Street firms invest huge sums of money for investors because they have huge sales forces – 10,000 " - 15,000 reps and advisors. "

Small independent firms invest a few million dollars to a few billion dollars for their clients. They provide " higher quality services because each client is more important to them. "

## Where Do Advisors, Who Own Independent Firms, Come From?

Many of them worked for major Wall Street firms that pressured them to sell products that made the most money for the firms. The advisors say they left so they could do what was best for their clients with no pressure from branch managers to sell particular products.


## How Does Independence Help Me Achieve My Goals?

Big public firms have to satisfy the needs of shareholders, Boards of Directors, executives, managers, advisors, and their clients. Whose needs come first? Whose needs come last?

Small independent firms do not have all of those layers. It's you and the principles at the firm. They have to meet your expectations or you will terminate their services.

## About the Author

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