



Fiduciary Standard of Care

The *Fiduciary* standard of care has both personal and legal connotations. On a personal level, when a financial advisor works with a client in a fiduciary capacity, the advisor must place the client's best interests first and foremost; above both the advisors own interest, or his/her firm's interest. On a legal level, working with a client in a fiduciary capacity imposes a legal duty to always work in your client's best interest. Any violation of this fiduciary responsibility could result in litigation with civil consequences. It is easy to understand that this level of commitment with a client should not be undertaken lightly.

Suitability Standard of Care

The *Suitability* standard of care provides that the financial advisor, and his firm, need only make recommendations that are "suitable", as opposed to what is best, for the client based on their profile. For example, there may be five similar investment products that are suitable to meet the client needs. Of the five products, there may be one that is clearly the best selection for the client, but the financial advisor, under a suitability standard, is free to select any one of the five products. You might ask why the financial advisor would recommend something that is not in the client's best interest. It's possible that one of the other products could be the financial advisor firm's proprietary product, or it might pay out a higher commission or fee to the advisor for recommending them. It might be that their recommendation is the best product for the client. The point is that under the Suitability standard the financial advisor has the legal and ethical ability to elect who's best interest comes first.