



Wealth Strategies

The Steps to Success





Wealth Strategies: The Steps to Success

From figuring out where to save for retirement to conducting a family wealth transition meeting, your financial success is dependent on ensuring you consider every step in between.

Financial success requires that you think about more than just selecting and monitoring investments. It's not about investment returns but rather how you are going to accomplish your goals. Therefore, it's important to understand what type of financial professional you want to work with.

No one person can be an expert in all things financial. That's why it's important to hire the right team of professionals. In the financial services industry, there are four main types of professionals: **broker-dealers**, **registered investment advisors**, **financial planners**, and **insurance professionals**.



Broker-Dealers

Broker-dealers buy and sell investment products on behalf of a client. The people who work for broker-dealers are known as registered representatives; however, they may also go by other titles, such as financial consultant, financial advisor, or investment consultant. These professionals are required to hold certain licenses in order to execute transactions on behalf of their clients.



Financial Planners

Financial Planners can work for broker-dealers and/or RIAs and may hold no licensing or credentials. Some may provide services that encompass your entire financial situation, while others may only recommend products or services that they sell. Financial planners are not regulated under a certain body unless they hold the CERTIFIED FINANCIAL PLANNER™ certification.



Registered Investment Advisors

Regulated by the Securities and Exchange Commission (SEC), registered investment advisors (RIAs) provide investment advice to their clients. People who work for RIAs are known as investment advisors.

It's important to note that not all financial advisors are investment advisors. RIAs and their investment advisors provide financial planning services as well as tailored investment advice by managing investment portfolios.

Investment Advisors

- Focus on accounts and balances
- Deal with numbers and percentages
- Measure subjective gains and losses

Some investment advisors, such as those at Reilly Financial Advisors, also double as wealth managers.

Wealth Managers

- Help you identify and achieve personal goals
- Act as your professional financial partner
- Coordinate investment advice with your needs
- Measure value by your success



Insurance Professionals

Insurance professionals, also known as insurance agents, sell insurance products to clients. Insurance agents are not regulated by any overriding authority; however, they are required to hold state licensing.

Wealth management considers a great many topics, including but not limited to the following:

- Where to Begin: The Building Blocks
- 401(k) and Retirement Savings
- Pre-Tax vs. Roth
- Debt Management
- Asset Allocation
- Avoiding Bad Investments
- College Planning
- Age-Based Tax Planning
- Estate Planning
- Social Security
- Family Wealth Transitions



In order to achieve your financial goals, it's critical to understand the difference between the advice that these types of professionals can, or are required to, offer. One way to discern whether a professional is working in your best interest is to evaluate his or her services through the lens of **the suitability rule** and **fiduciary standard**.



The Suitability Rule vs. Fiduciary Standard

Technically speaking, the suitability rule applies to broker-dealers who are regulated under the Financial Industry Regulatory Authority (FINRA). Under this rule, an investment professional is only required to advise clients to purchase investment products that are appropriate for their situation.

By contrast, the fiduciary standard applies to RIAs, under authority of the SEC, and requires RIAs and their investment advisors/wealth managers to advise clients to purchase investments that are the best for their individual financial situation.



Let's look at an example:

Take two investment products: Investment A and Investment B. Investment A is a good option and pays a commission to the investment professional who sells it. Conversely, Investment B is the best option for the client's personal financial situation; however, it does not pay any commission to investment professionals.

Under the suitability rule, a broker-dealer can recommend their clients purchase Investment A because it is a decent investment (although not the best investment). In this situation, the investment professional will receive a commission and the client will receive a decent investment.

However, an RIA regulated by the SEC cannot recommend that their client purchase Investment A, as it is not the best investment for that client. RIAs will recommend that their clients purchase non-commission investments in order to provide clients with the best investment.

In recent years, there have been increased efforts among lawmakers to elevate the suitability standard to match the fiduciary standard. Unfortunately, the greatest achievement in this area so far has been the creation of Regulation Best Interest (Reg BI).

Per the SEC, "Reg BI establishes a 'best interest' standard of conduct for broker-dealers

and associated persons when they make a recommendation to a retail customer of any securities transaction or investment strategy involving securities, including recommendations of types of accounts." While Reg BI is a step in the right direction, it should not be considered equivalent to the fiduciary standard. ■





Ask the Right Questions



To help you select the best investment professional for your circumstances, the SEC released the following list of questions that they recommend clients ask before engaging an advisor.

- What are your qualifications and credentials?
- What experience do you have, especially with people in my circumstances?
- What is your recent employment history?
- Are you registered with the SEC, a state, or FINRA?
- What products and services do you offer?
- Can you only recommend a limited number of products or services to me? If so, why?
- How are you paid for your services?
- What is your usual hourly rate, flat fee, or commission?
- Have you ever been disciplined by any government regulator for unethical or improper conduct or been sued by a client who was not happy with the work you did?
- For RIAs, will you send me a copy of both parts of your Form ADV?

Additional questions include the following:

- Do you clearly disclose all fees, including the management fee and any additional investment-related fees?
- Can you disclose conflicts of interests? (Every firm has them, so don't take "none" as answer)
- Do you have a succession plan in place?
- Do you have a team of experts to help me accomplish my goals? (As to avoid a one-man shop)

If the professional you are considering cannot answer/do any of the above,
walk away.

Comprehensive wealth management encompasses much more than selecting investments. To ensure that you are working with a professional aimed at becoming your trusted financial partner, and one who is truly focused on helping you accomplish your personal financial goals, it's crucial that you engage the services of an SEC-registered RIA.





Reilly Financial Advisors is a fee-only RIA aimed at helping clients both define and achieve their individual financial goals through four unique service offerings:

- **Wealth Building**
For those still accumulating their investment portfolios
 - **Wealth Management**
For those who have amassed savings and have specific needs associated with their wealth
 - **Wealth Legacy**
For those who have accumulated a significant amount of wealth and face unique wealth transition needs
 - **Corporate Retirement Services**
Providing tailored solutions for plan sponsors and participants
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Reilly Financial Advisors, founded in 1999 and headquartered in San Diego, California, serves clients around the United States and in more than one dozen countries worldwide.

As an independent advisor, Reilly Financial Advisors is able to provide clients with the highest level of fiduciary services, making investment decisions based solely on their best interests.

At Reilly Financial Advisors, it is our goal to be clients' first point of contact for all their financial needs, serving as their trusted financial partner for life.

If you would like to make a complimentary appointment to meet with one of our advisors, you may do so [on our website](#) or by calling us at **(800) 682-3237**.