What is a fiduciary investment advisor?

Your complete guide

Jordan Andre, CFP, CAIA
Director, Investment Strategy

Ryan McWalter, CAIA
Senior Director, Investments

TruePlan℠
Benefit and Retirement Advisors

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Navigating the world of investments can be a complex task, especially for those managing small, medium and larger-sized portfolios with endowments, foundations, pension plans and other entities. One key player in this realm is the fiduciary investment advisor for your institution. What exactly is a fiduciary investment advisor and how can they benefit your organization?

This comprehensive guide will answer these questions and more, helping you understand why hiring an investment advisor might be the best move for your financial success.

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We'll cover these essential areas:

- **investment advisory services;**
- **what a fiduciary investment advisor does;**
- **the difference between an investment advisor and a financial planner;**
- **why do you need an investment advisor;**
- **who works with an investment advisor;**
- **main benefits of hiring an investment advisor;**
- **how to use both active and passively managed solutions in portfolio construction; and**
- **tips on finding a financial advisor.**

Before we go further, let's introduce you to investment advisory services.

Introduction to investment advisory services

Sound unbiased advice is more important than ever in today's complex investment landscape. As organizations navigate a variety of economic challenges, the need for expert guidance to make informed decisions is paramount. Investment advisors play a crucial role in helping clients craft strategies that align with their objectives while managing risks associated with market fluctuations.

This is particularly essential for endowments, foundations and pension plans, where fiduciary responsibilities and the pursuit of specific missions require an adept understanding of capital markets.

With the often-overwhelming array of investment options available, having a trusted advisor by your side can simplify the decision-making process. They not only offer insights based on market trends but also provide tailored solutions that reflect their clients' unique goals and values.

Furthermore, an investment advisor's ability to collaborate with other financial professionals ensures a comprehensive approach to investment management. By partnering with investment advisors, organizations can develop investment strategies that enhance their financial health while promoting social and environmental causes, thereby fulfilling their foundational missions.

What is a fiduciary investment advisor?

A fiduciary investment advisor is a professional who manages or provides advice on various securities and fund structures in a fiduciary capacity. Their primary role is to act in the best and sole interest of their clients' investment portfolios and financial outcomes. This involves crafting tailored strategies that align with the client's goals and risk tolerance while adhering to ethical standards and prioritizing the client's needs over their own.

The difference between an investment advisor and a financial planner

While both investment advisors and financial planners play crucial roles in financial management, they focus on different aspects:

- **Financial planner:** Typically, they take a holistic approach to a client's financial goals, creating comprehensive plans to achieve these objectives. This can include budgeting, retirement planning, tax planning and estate planning (see our note at the end of this guide for more information).
- **Investment advisor:** They concentrate specifically on managing investment portfolios, focusing on investment and risk management. This includes selecting individual securities (stocks and bonds), third-party fund managers, monitoring market trends and making buy-sell recommendations to optimize portfolio performance.

In essence, while a financial planner looks at the big picture of financial health, an investment advisor zeroes in on the investment aspect of wealth management, which entails different risk management techniques and experience.

Why do you need an investment advisor?

Hiring a fiduciary investment advisor can offer multiple advantages.

- **Risk reduction:** Investment advisors can be skilled at identifying and mitigating potential risks to a portfolio. This can lead to a higher probability of reaching a successful financial outcome.
- **Strategic asset allocation:** Investment advisors should stay up to date on macro-economic trends, ensuring that assets are allocated strategically to align with client goals and to provide an appropriate balance of risks over time.
- **Expert guidance:** With their expertise, investment advisors can provide insights into market movements and help clients make informed decisions as capital markets ebb and flow over time.

Who works with an investment advisor?

The answer: Endowments, foundations, pension plans and corporate assets

A variety of entities, regardless of size, can greatly benefit from working with an investment advisor. These professionals not only help achieve financial objectives but also support social and environmental goals. Entities such as pension plans, foundations and endowments often leverage the expertise of investment advisors to ensure that their investments align with an organization's broader mission.

3 benefits of hiring an investment advisor

There are several compelling benefits to hiring a fiduciary investment advisor:

1. **Tailored investment solutions:** Investment advisors create customized strategies that consider time horizon, risk tolerance and risk mitigation, ensuring that investments are aligned with the client's specific needs and goals.
2. **Holistic approach:** Investment advisors often collaborate with other professionals like actuaries, accountants and attorneys to achieve a comprehensive financial outcome.
3. **Mission alignment:** Investment advisors help organizations fulfill their mission statements by aligning investments with core values and long-term objectives.

Passive funds vs. Hiring a fiduciary investment advisor

Who should you choose?

The decision to use passive index or actively managed funds will be driven by your specific financial goals and the asset class exposure that can help you attain those goals.

Passive funds

These are generally cheaper and focus on tracking a market index. However, they may not cater to strategic goals such as risk mitigation and generating uncorrelated returns.

TruePlan's Jordan Andre, director of investment strategy, and Ryan McWalter, senior director of investments, research this further in their latest publication, *What should plan sponsors offer in retirement plan investment menus: Active or passive mutual funds?*

They find that in asset classes such as small-cap stocks and fixed income, passive funds often underperform compared to active management. They use active and passive management analyses to draw this conclusion, adding clarity to the debate between active vs. passive management in the investment industry.

Active management

An investment advisor can provide access to active management either directly though buying and selling individual stocks and bonds for clients, or by choosing third-party fund managers across different strategies.

Regarding the latter, TruePlan believes there are certain asset types in specific categories that can be used to potentially outperform traditional stock and bond markets over the long term, specifically "long-only" (buy and hold) strategies.

Additionally, certain diversifying and risk mitigating alternative investment strategies can be used to potentially generate return streams independent of the direction of broader stock and bond markets.

TruePlan: Your investment advisor services

In conclusion, a fiduciary investment advisor can offer unparalleled expertise and tailored solutions that can significantly enhance the investment performance of endowments, foundations, pension plans and/or other entities. By acting in their clients' best interests, these advisors can provide a strategic advantage in navigating the complexities of the financial and investment landscape.

Who we are: Mission-focused with a diverse skill set

By specializing in institutional investment management, TruePlan utilizes both traditional and alternative investment strategies in striving to deliver compelling risk-adjusted returns for clients. Our retirement planning services extend across a spectrum of organizations differing in asset size and time horizon, allowing us to customize solutions that cater to various client needs

For more insights on how we can benefit your organization, consider reaching out to TruePlan, a certified fiduciary investment advisor. Let's discuss how our team can help you achieve your financial aspirations today!

Note: Finding the right financial advisor

When seeking a financial/investment advisor, it is essential to look for professionals who are dedicated to acting in the interests of their clients. Certified Financial Planner Board registered investment advisors and certified financial planners (CFP) meet rigorous standards that ensure they provide comprehensive financial advice.

Engaging with a registered investment advisor (RIA) means you can expect compliance with Securities and Exchange Commission (SEC) regulations, ensuring that your advisor matches your financial goals and adheres to the fiduciary standard. These standards mandate that advisors disclose any potential conflicts of interest, allowing clients to make informed decisions concerning their investments.

Clients can align their strategies to reach their long-term financial objectives by choosing a financial professional who acts as a fiduciary. Whether you're interested in sophisticated investment management or specific financial products, ensuring that your advisor understands and prioritizes your interests is crucial in building a successful financial future. Additionally, organizations like the National Association of Personal Financial Advisors can help guide you in finding qualified professionals who are committed to your financial well-being.

contact@trueplanadvisors.com

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TruePlan provides customized solutions for your retirement and benefit needs. We are a full-service independent consulting firm, registered investment advisor and broker-dealer.

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Benefit and Retirement Advisors

trueplanadvisors.com

One Empire Drive, Rensselaer, NY 12144
800.388.1963 *fax* 518.431.7601

SATELLITE OFFICE:
245 Old Country Road, Melville, NY 11747
631.417.5913