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Why We Refuse to Become A Fee-Only Advisor

At Mills Wealth Advisors, llc our team of Certified Financial Planning Professionals are 100% committed to acting as Fiduciaries, the highest legal standard owed in a client/advisor relationship, a standard we believe all client's should demand! I believe any advice not delivered through this standard can never be "best in class advice", because client's can never be 100% sure if the advice is an advisor's best recommendation or is it simply an "ok" solution that is in the best interest of the firm falling under a weaker standard of "Suitability." Currently this legal standard governs about 90% of advisor and agents currently giving financial advice, and has been responsible for the financial crisis, the mutual fund scandal and many other abuses that have harmed clients.

Under a Fiduciary relationship, not only must advice be an advisor's "best" idea for the client's situation, but conflicts must be disclosed. TRUST is the most important ingredient in a long term advisor/client relationship and anything that can undermine the quality of advice and which could lead to a lack of trust is not good for the relationship or the industry as a whole. We feel strongly that conflicts exist in every compensation structure, some that are transparent, and others, which are opaque. The fiduciary standard gives client's recourse and assurances that advisors and their firms are only acting in their interest. High standards attract the best people attempting to provide the "best" advice as is required by the standard.

Upton Sinclair so keenly observed, "It is difficult to get a man to understand something when his salary depends upon his not understanding it."

I believe this statement was descriptive of Wall Street, especially in the 1980s and 1990s. Ultimately a group of wise ethical young advisors shunned the conflicts that existed on Wall Street and throughout the brokerage, banking, and insurance industries and created NAPFA an organization committed to delivering high quality financial advice meeting the fiduciary standard.

The idea behind this organization was wonderful and needed when it was created. However, as times change and the fiduciary standard has gained a foothold, I believe this organization has evolved into a **marketing approach** that is not delivering the highest quality advice that the organization originally set out to achieve. This is most apparent in regards to advice and implementation surrounding the protection portion of the financial plan. Protection is one of the 6 main components of the financial planning process, but because of past abuses in the insurance industry, NAPFA has shunned all forms of commission for its members, even if the commission provides a lower total cost to clients and could be considered, "BEST".

It is my personal belief that fees or commissions are really one in the same. **It really doesn't matter how you are paid as long as you are doing what is right for your client.**

Here's what I know to be true: America is dramatically under insured in regards to life or disability protection, and if America's top independent advisors refuse to help clients get the coverage they need, these clients will continue to fail. Transferring catastrophic risk is a key to financial success and investors need advisors that

can uphold the fiduciary standard regardless of their compensation type. If insurance continues to be painted as “evil” or as full of conflicts, then young advisors will not, take the time to get educated on insurance which will lead to more insurance minimization within the industry. Over time this could make the problem even worse and more Americans may continue to receive poor advice in regards to building a solid defense.

We believe the Fee-Only certification is used primarily as a marketing ploy to help differentiate advisors, and attract clients, not a code of conduct to deliver the best advice as it was originally intended. In theory, I like the sound of being Fee-Only, but as a practicing Financial Planner intent on serving my clients best interest, I believe being Fee-Only would restrict my ability to provide the best solution combined with the best client experience all the time. Generally I believe that “**best is best**”, and anything that restricts that pledge has just as much potential to harm clients as pretending that being Fee-Only could improve it.

As our profession has adopted the FIDUCIARY Standard and as it has expanded, there should not be any standard higher or better than “BEST”. We must have faith that professionals will be professional. If we remove compensation where many hours and much expertise are required, then the industry will suffer repercussions by having less expertise in that area. (In regards to insurance, I believe this is an area where we need more fiduciaries giving advice not less).

I’m one of the few people in the world that has woken up disabled twice, and I’m here to tell you that it does not matter how my agent was paid, I just want to know that if I can’t go to work tomorrow, my family will be protected.

At MWA we are 95% in alignment with the beliefs of the FEE-Only camp-, in fact 95% of our compensation is fees only; it is the other 5% that we adamantly disagree. We believe that properly trained fiduciaries are the best choice to deliver

advice. Many of the conflicts of interest that come from insurance paying up front are counterbalanced or negated by advisors offering both investments and insurance, as one negates the other. Insurance pays once, typically upfront (because that is where the work is done) and investments pay more in the future assuming the account grows. Neither compensation method is bad they are just different and used together can keep advisors in business with a profitable growing practice, so they can hire staff and help more people desperately in need of quality advice from a fiduciary especially since these advisors only make up about 10% of the advisors.

If you ask clients if they had to choose a fiduciary relationship based on a standard of “best” or a suitability relationship, based on a standard of “ok” which do you think they would choose? I know that the Fee-Only camp and the Fee-Based camp can agree on that. And while it is practiced differently I think we also agree with the conclusion, “when it comes to getting advice, “Best is Best”.

--Michael A Mills, CFP®, CLU®, CFS