DEFINING THE TRUE VALUE
OF A FINANCIAL ADVISOR

Through shifting regulations and uncertainty, one thing remains true — the increasing value of the relationship between advisor and client.

By Alynn Eubanks, Director, Advisory Services Group
An investor’s best interests are at the heart of every goals-based advisory relationship.

In early February, President Donald Trump directed the U.S. Department of Labor to take 60 days to review and reassess the Fiduciary Duty Rule. In late May, Labor Secretary Alexander Acosta announced that the agency found no principled legal basis to further delay the rule’s applicability date of June 9. While the DOL confirmed that the rule’s provisions that expand the definition of a fiduciary and establish impartial conduct standards will become applicable on this date, the final implementation of the rule remains in flux as product manufacturers begin to create DOL-compliant products and solutions. However, there are a few certainties that have risen out of all this uncertainty. First, the concepts of fiduciary duty, transparency and the best interest standard for financial advisors have moved out of an industry-only conversation into the mainstream, providing consumers with a greater understanding of industry terminology and the various ways that advisors are compensated.

Second, the door to transparency has been opened, which means it is unlikely that we will return to pre-DOL days any time soon, if at all. In other words, regardless of the rule’s final state, we believe it has already had a positive impact. We will continue to support increased transparency with clients. And, if anything, we think this experience has pointed out the need for financial advisors to better articulate their value beyond investment performance so they can assure individual investors that their best interests are at the heart of every goals-based advisory relationship.
What is a goals-based advisory relationship?

Instead of a transactional approach that focuses solely on investment performance or an individual transaction, a goals-based advisory relationship is fundamentally different because it is about the relationship. And, that’s where the true value lies. Financial advisory is not a one-size-fits-all proposition. It’s based on the specific goals, objectives and preferences of the individual, all of which are viewed through a holistic, long-term lens. It’s not just about short-term gain. It’s about working closely with an investor to map out a financial plan that mirrors and supports a life plan. The critical key here is that planning is not a one-time event. It’s a continuous process, with the advisor acting as coach and counselor over time, through challenging markets, shifting regulations, personal life events and lifestyle disruptions. Life is about change. And helping an investor navigate that change is the role and responsibility of the financial advisor.

The true value of a financial advisor.

If a relational rather than transactional approach is the true value of a financial advisor, how exactly does this relationship benefit you, the individual investor? The biggest benefit may well be that working with an advisor is the surest way to take control — so you can live today knowing that you’ve done everything you can to control your future. And, in a rapidly changing world where there are many uncertainties and few guarantees, this can be empowering. A strong advisory relationship is also beneficial for a variety of other reasons, most importantly:

You have someone else looking out for your goals. A good advisor sits down with you to construct a long-term investment framework that takes you to retirement and beyond. In fact, retirement should not be looked at as an end-point — for many people it represents a new beginning. Your goals at every stage of your life are the central focus of an advisory relationship, and as such they deserve careful planning and oversight so your financial performance keeps you on your charted path. At any given point, your advisor should be thinking about you — not the performance of a specific investment. Performance is a secondary consideration that is analyzed against your objectives instead of around single investment events or transactions.

You have a guide for turbulent times. Another thing a good advisor does is to prepare you for the unexpected — and then be beside you when it happens. The reality is that markets will rise and markets will fall, and personal issues and events will get in the way of carefully constructed planning. Without a seasoned professional to guide you through the volatility, you can often find yourself making a split-second decision that can have a long-term and significant impact on your future. Goals-based planning is also reality-based planning, which means that part of a financial advisor’s duty is to be both a sounding board and a shrewd observer, providing you with the well-reasoned, objective analysis and advice that can guide you through good times and bad.
You have someone who can anticipate challenges in advance. When a financial advisor partners with you on your financial future, a key by-product of a continuing relationship is that they get to know you. In fact, a good advisor will spend up to 75 percent of their time managing a client relationship. This means your advisor will have a clear understanding of your current realities, your shifting priorities and even more importantly, your decision-making style, which gives them the advantage of anticipating challenges in advance. This proactive, anticipatory kind of relationship is the kind of capital that builds over time, evolving to meet your needs throughout every stage of your life.

A final thought.

Change is continuous, whether it’s in the regulatory environment or the broader marketplace. And, it must be managed and mitigated with wisdom, know-how and well-reasoned expertise. But despite shifting regulations and uncertainty, one thing remains true — the increasing value of the relationship between financial advisor and client.

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