

Ask a Trust Officer

What is a fiduciary?

DEAR TRUST OFFICER:

I understand that you are a “corporate fiduciary.” What is that exactly? Aren’t you just a different flavor of stockbroker or financial planner?

- SHOPPING FOR ADVICE

DEAR SHOPPING:

“Fiduciary” is a legal term that describes the duties that one party owes to another in a business relationship. A fiduciary duty is the highest duty of care in the law and has been a standard element of trust practice for decades. There are many elements to fiduciary duties, but perhaps the most important is the duty of loyalty, to put the interests of the client ahead of one’s own interests.

A “corporate fiduciary” is a business entity, such as ours, that has been granted permission by the state to act in a fiduciary capacity. We can serve as trustee, and we can settle estates. In this capacity, we are subject to a wide range of audit controls and government regulatory supervision.

Most stockbrokers are not fiduciaries, and many financial planners have resisted moves to upgrade their client relationships to fiduciary status. Thus, we are different from these sorts of advisors in a way that can have legal consequences.

One example of this difference: We are compensated for our services with a fee that varies with the size of the account under management. We do not earn more based upon the transactions that we generate or the type of service that we recommend. Our interests are, therefore, always aligned with the interests of our clients. We prosper when they do.

When we act as trustee, our investment decisions must be responsive to the needs of both current and future beneficiaries. This is not an ordinary perspective to have for portfolio management. Our approach cannot be risk free, but it does tend to be risk averse.

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