

A Personal Note

The issue of fiduciary responsibility can be complex. It is often misunderstood or overlooked until events unfold that indicate no fiduciary oversight was in place. Of course, by then it is often too late. In this edition of Financially Speaking, I want to take advantage of this timely opportunity to review the recent events at Goldman Sachs and related fiduciary duties. The suit filed by the SEC highlights issues I've been talking about for years. I believe the SEC's claims and fiduciary duties in general are items investors should pay closer attention to.

Have a question or topic idea? Send us an email at financial.questions@barronfinancialgroup.com – We'd love to hear from you.

Barron Financial Group, LLP is a Registered Investment Advisor regulated by the CT Department of Banking.

Non-Advisory Securities Offered Through Purshe Kaplan Sterling Investments, Member FINRA/SIPC Headquartered At 18 Corporate Woods Blvd., Albany NY 12211



Jim Thibault, Managing Partner

Advisors, Representatives and Fiduciary Duties

The idea of having a fiduciary relationship with your investment provider is a topic that has generated a great deal of heated discussion over the years. As it stands today, only firms that are Registered Investment Advisors and operate under the regulations established in the Investment Advisors Act of 1940 are considered fiduciaries. In other words, Registered Investment Advisory firms have a duty to act in the best interests of their clients coupled with a higher standard of disclosure. In the world of professional services, only attorneys and CPA's observe this same standard. That is an important fact when considering an investment professional. Most brokerage firms have employees, known as registered representatives, who are only required to offer recommendations that are "suitable" for the investor. Suitable investments can accomplish a stated goal, but do not have to be in the best interest of clients. For example, an investor wants to save for retirement and a registered representative offers them an investment that has high internal expenses and pays a high commission. The investment is considered suitable because it meets the savings objective, but a lower cost and lower commission product might be available that could be more beneficial to the investor. Congress has suggested on many occasions that brokerage representatives should be taking some form of fiduciary duty, but brokerage firms have successfully lobbied against it. This happened again in Senator Dodd's recent financial reform bill that initially added fiduciary responsibility for brokerages and representatives, but removed the fiduciary language under heavy industry lobbying. This battle has waged even down to the titles registered representatives use. The title "financial advisor" was once reserved only for those who represent a registered investment advisor, but brokerage firm lobbying has allowed registered representatives to use the same title.

Goldman Sachs and the Revolving Fiduciary Door

When people become clients of a brokerage firm, they often believe those firms want nothing more than to help them achieve financial success. Those firms market themselves as being very client centered. And yet when challenged, those firms seem all too willing to drop any fiduciary obligation to clients. That is the heart of the Goldman Sachs case. Without getting too far into the weeds, the SEC has filed suit claiming that Goldman Sachs created an investment vehicle backed by questionable mortgages and their representatives sold it to clients without fully disclosing the firm's position of betting against these same types of investments. Goldman's response has been a mixed message of stating the firm has "...a duty to do well for our clients", while at the same time stating they do not "...act as an investment adviser to our clients." So the underlying question here is whether Goldman Sachs is acting as an "advisor" to their clients, or simply offering them "suitable" investments? It seems that these firms want to create the perception of fiduciary duty, but when the pressure is on, they want to fall back on the old suitability rule.

I expect Goldman to fight this briefly and ultimately settle with the SEC. Even if Goldman Sachs feels it can win the lawsuit, it will likely be long and is expensive. More important, the longer this goes on and stays in the news, the longer the underlying issue of fiduciary duty remains in front of all brokerage firm clients...and that could damage the image of Goldman Sachs and the entire brokerage industry. When it comes to fiduciary duty, brokerages will find it hard to have it both ways by marketing a client centered approach, then backing away when it becomes clear the firm did not operate in their clients best interests.

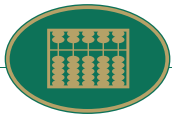
Final Thoughts and Full Disclosure

I am not suggesting that all registered representatives think only of themselves, or that Registered Investment Advisors never have conflict. Good advisors exist in both worlds. However, I believe the business structure matters with respect to how the law views the chosen professional. Attorneys, CPA's and Registered Investment Advisors are expected to always be looking out for their clients, and while

that may not always happen, the law favors the client in the event of discrepancy. Full Disclosure: Barron Financial Group is a Registered Investment Advisor and Jim Thibault is also a registered representative of Purshe Kaplan Sterling Investments.

Best Regards,

Jim Thibault



BARRON FINANCIAL GROUP, LLP
INDEPENDENT, OBJECTIVE WEALTH MANAGEMENT®

Because It's Not Just Your Money, It's Your Future®

103 Albert Street, Torrington, CT 06790

At Barron Financial Group our passion is providing individuals and business owners intelligent and prudent financial advice. Our services include portfolio management, retirement planning, financial planning and business analysis.

Call or email Barron Financial Group to schedule a no-obligation appointment and find out how we can help you achieve your financial goals.

860-489-0432 or financial.questions@barronfinancialgroup.com or check us out at www.barronfinancialgroup.com

Because It's Not Just Your Money... It's Your Future

ACCREDITED WEALTH MANAGEMENT ADVISORSM and AWMA[®] are service marks of the College for Financial Planning.

Certified Financial Planner Board of Standards Inc. owns the certification marks CFP[®], CERTIFIED FINANCIAL PLANNER[™] and  in the U.S., which it awards to individuals who successfully complete CFP Boards initial and ongoing certification requirements.

NOT FDIC INSURED. NOT BANK GUARANTEED. MAY LOSE VALUE, INCLUDING LOSS OF PRINCIPLE. NOT INSURED BY ANY STATE OR FEDERAL AGENCY.
