

The INVESTMENT LETTER

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Advisors and Brokers and Planners, Oh My!

Have you ever given any thought to the difference between a Financial Advisor and a Planner? Or perhaps whether there are differences between an Investment Advisor and a Broker? Chances are you, like most people, have not. These terms are used interchangeably in everyday speech, without second thought. However, the terms themselves, in their true definitions, are not synonymous and in fact the nuanced differences between them are quite important to understand.

First, there are not clear lines differentiating one title from another. An Advisor or Broker may provide financial planning for example. Additionally, all of the above may call themselves advisors for one reason or another, but it doesn't necessarily make them Advisors in the traditional sense. The industry itself is responsible for the creation of the perception that Advisors/Brokers/Planners are equivalent to one another, but we think it's time that the public understand that there is a difference!

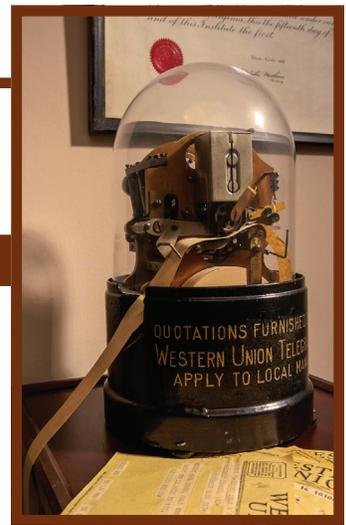
Financial Planners by definition provide planning services. The planning could include budgeting, income projections, retirement planning and estimating, debt payoff planning or any other number of other financial illustrations. Sometimes Planners only provide this service, other times they provide 'advisory services' which could include selling investments and/or insurance products.

Brokers, often call themselves Advisors, but

are not Advisors in the truest sense of the word. Their job is not so much to advise but to sell their client a financial product or service. In fact, salesperson would be a more accurate title. Brokers are not held to the same standards as Advisors as their recommendations need only to be 'suitable' and not necessarily 'in the best interest' of the client. It behooves Brokers to position themselves as Advisors because of the higher sense of duty associated with Advisors. Brokers may also provide financial planning services. Often brokers have a financial incentive to sell their company's proprietary products rather than third party products due to higher commissions, as Brokers often earn money through commissions rather than a percentage of assets or a flat fee.

Advisors, both financial and investment, do not engage in selling insurance or annuity products, do not earn commissions and work solely in the best interest of their clients. They have no incentive to invest a client's assets in one investment versus another, other than what is best, in their opinion, for the client. Investment Counsel is an Advisor in this sense.

Investment Counsel goes a step beyond just providing advice by proactively making changes to holdings and asset allocation on behalf of clients when the need or opportunity dictates. This makes us somewhat unique in the industry as many Advisors still leave it up to the client to implement recommendations.



INVESTMENT COUNSEL INC.

Established 1929

Advisors are officially called Registered Investment Advisors, or RIA's for short. RIA's are regulated by the Securities and Exchange Commission (SEC) a federal agency, while Brokers are overseen by a self-regulatory agency called FINRA.

In our opinion Advisors provide a superior service relative to Brokers for the following reasons: First, Advisors are paid by their clients only, there are no arrangements with mutual funds or other investment products that could provide a financial incentive to invest in one fund over another. Second, there is no requirement to use proprietary investments like mutual funds. Often Brokers will need to include a certain percentage of their firm's funds in a client portfolio. Third, Brokers have a well-earned reputation for being expensive. If you shop around you can typically find a much less expensive Advisor. Lastly, Advisors work in the best interest of their clients. Brokers work to make a sale and therefore the client's best interest is not always in line with that of the Broker/sales person.

We hope the above has been useful in defining what exactly a Planner/Broker/Advisor is, and making a compelling case for Advisors over Brokers or pure Planners. We would be remiss if we did not mention briefly some of the key points that we feel make Investment Counsel the right choice among your many Advisor choices.

- Our investment process has been time-tested, since 1929. Our clients have not only survived, they've thrived through multiple wars, recessions and even the Great Depression. Our results are real world tested, not run via a simulated model. We've been there, and done that.
- All of our portfolios are customized to the client's individual needs. We've never taken a cookie-cutter, one-size-fits-all approach to investing. After all, investing is personal.
- Our investment process is transparent. Since

we use only individual securities, supported by Exchange Traded Funds (ETF's) where appropriate, you know at all times the securities held in your portfolio. In contrast, a mutual fund's holdings are much less clear.

- One of the designed outcomes of our low-turnover investment process is tax-efficiency, translating into a lower tax bill for our clients.
- The cost of investment advisory services is a topic that has been gaining a lot of popularity recently. All else being equal lower costs are preferred to higher costs. Investment Counsel has been a pioneer in low-cost investing before it became popular. While many Advisors are bemoaning lost revenues as fees are driven down, we continue to provide great value to clients.
- Lastly, at Investment Counsel you develop a relationship with your portfolio manager. Unlike investing in a mutual fund, where a distant, faceless name makes portfolio decisions, you have access to our portfolio managers by phone or email or in person. We are available to listen and advise.

INVESTMENT COUNSEL NEWS

Inside the Office



We're pleased to announce our newly redesigned website, Invest-Counsel.com.

You can now also find the secure Investment Counsel iPhone app in the iTunes App Store by searching for "Investment Counsel."

Outside the Office



Next month Chris will be competing at the United States Fencing Association's National Championship.