Imagine that a financial advisor wants to sell you a certain mutual fund.

"Is this the best fund for me?" you ask.

"Maybe not, but it's good enough," the advisor responds.

Incredulous, you reply: "If it's not the best, then why are you recommending it?"

"Because it pays me a bigger sales commission than the other choices," he replies.

If any sane customer heard their advisor say this, they'd be out the door in a flash. But countless investors do business with advisors who operate under this same conflict of interest. It's just that, unlike in our fictional example, the advisors' agenda is not out in the open. And they're not required to disclose their financial conflict of interest. So customers just don't know.

The truth is that most advisors do business under a set of rules that allows them to put their own financial interests ahead of their clients' financial interests. However, a significant minority of advisors operate under what is known as a fiduciary standard: They are required by law to put their clients' best interests ahead of their own. In other words, they are the opposite of the advisor described above. A conversation with a fiduciary advisor would go like this:

"Is this the best fund for me?" you ask.

"Yes, it's the very best fund for your needs," the advisor responds.

"Are you earning a big commission by selling it to me?"

"I'm not earning a commission at all," he replies. "I avoid that conflict of interest by charging a flat percentage fee each year on your entire account."

In a nutshell, this is why you should insist on working with a fiduciary advisor. It's also important to know that advisors can't just call themselves fiduciaries. They have to be registered with the Securities and Exchange Commission or financial regulators in their state as fiduciary advisors.

If they are registered as brokers with Finra (the regulator for brokers), they do not have a legal requirement to put your financial interests ahead of their own. The first advisor in this article is a Finra-registered broker. The second is a fiduciary advisor.

If you're investing for retirement or any other important goal, you can't afford to work with someone who's allowed by law to shear you like a sheep. You need to work with a fiduciary advisor. If you'd like to learn about more about how Copeland Wealth Management, a fiduciary advisor, puts your interests first, please give us a call.