I often hear from prospective clients who are interviewing multiple advisors that they are only considering "independent advisors like you" when I sit down with them for our initial meeting. Some will have questions regarding the recommendations from the other advisors and ask for my thoughts on the types of products they were offered.

In most cases, the clients did not know that the other advisor was actually a broker who is a registered representative on behalf of a brokerage or insurance company. They were not provided with details on how much commission the representative would receive on the recommendations or if there were commission-free alternatives.

The issue is that while many advisors appear to be independent and the same to the general public, only independent fee-only advisors are legally required to act as fiduciaries to their clients. This means that the clients' interests have to be put first and the only compensation to the advisor comes directly from the client, not from hidden commissions or kickbacks from the mutual funds or insurance products they recommend.

How can you tell if an advisor is an independent fee-only advisor? You can start by simply asking if they are a registered representative or receive commissions on the financial products or insurance they recommend. Don't be fooled by an independent name on a business card that creates the illusion of someone who will not receive commissions on the investments or other retirement products they recommend. If they are fee-only, then they are held to the fiduciary standard at all times and cannot receive commissions on the products they recommend.

The confusion regarding who is truly offering independent advice held to the fiduciary standard vs. who is selling products is not limited to those outside of the financial industry. My wife is a CPA and recently attended a continuing education class focused on investing. I had the opportunity to review the presentation after her class, and what was intended as continuing education was really just a sales presentation from a registered representative trying to appear as if they were giving unbiased advice.

It's always amazing how annuities end up finding their way into these presentations and just by coincidence, a question from the audience will ask for the presenter's opinion on annuities. The answer usually involves staying away from those who sell the bad annuities, but to trust (the presenter's) firm, as they know the type you should buy! There's obviously no mention of the upfront commissions they receive on their recommendations or how the general public can purchase commission-free annuities from several sources.

The biggest red flag was that the entire presentation that was supposedly focused on investing completely avoided the impact of high costs on portfolio returns and there was no mention of the fiduciary standard. This is very typical for a broker or registered representative presentation at a free steak dinner seminar, but somewhat surprising that these items were not questioned in a room full of CPAs.

To summarize, don't assume that all independent advisors are the same and are held to the fiduciary standard. Make sure you clearly understand if your advisor is legally required to put their clients' interests before their own profits.