



CARDINAL ADVISORS

Why Does Being A Fiduciary Matter?

Hans & Tom use the following document to explain the role of a fiduciary in the video titled “Why Does Being A Fiduciary Matter?”

WHY DOES BEING A FIDUCIARY MATTER?

FIDUCIARY DUTY-SEC REGISTERED

- INVESTMENT ADVISORS ACT OF 1940
- 1.) DUTY OF LOYALTY
 - CLIENTS INTEREST AHEAD OF OWN
 - AVOID CONFLICTS OF INTEREST
 - FULLY DISCLOSE CONFLICTS
 - NEVER USE CLIENT INFO FOR PERSONAL GAIN
 - BEST EXECUTION WHEN TRADING SECURITIES
- 2.) DUTY OF CARE
 - UNDERSTAND CLIENTS FINANCIAL SITUATION
 - RECOMMENDATIONS-SUITABLE + APPROPRIATE
 - RESEARCH + DUE DILIGENCE
- 3.) FULL AND FAIR DISCLOSURE
 - DISCLOSE ALL MATERIAL FACTS
 - COMPENSATION, CONFLICTS, DISCIPLINARY HISTORY, AFFILIATIONS, INCENTIVES TIED TO RECOMMENDATIONS
- 4.) DUTY TO ACT IN GOOD FAITH
 - CLEAR COMMUNICATION, ACCURATE REPORTING
 - NOT MISLEADING IN MARKETING
- 5.) ON GOING RESPONSIBILITY
 - FIDUCIARY DUTY IS CONTINUOUS
 - REVISIT CLIENT SITUATION PERIODICALLY
 - UPDATE ADVICE, MAINTAIN PROPER RECORDS

FIDUCIARY DUTY-CFP BOARD

- BEING A CFP IS VOLUNTARY
- FIDUCIARY DUTY IS AT ALL TIMES WHEN PROVIDING FINANCIAL ADVICE
- 1.) DUTY OF LOYALTY
 - INTERESTS OF CLIENT ABOVE INTEREST OF CFP AND CFP'S FIRM
 - AVOID CONFLICTS, DISCLOSE MATERIAL CONFLICTS, OBTAIN CLIENT'S INFORMED CONSENT
- 2.) DUTY OF CARE
 - MUST ACT WITH CARE, SKILL, PRUDENCE, AND DILIGENCE
- 3.) DUTY TO FOLLOW CLIENT INSTRUCTIONS
 - COMPLY WITH ALL LAWFUL OBJECTIVES, POLICIES, RESTRICTIONS, AND TERMS OF THE ENGAGEMENT

FINANCIAL PLANNING AREAS:

- S.S.
- MED
- LTC
- IRA/401K
- INCOME
- ESTATE
- TAXES

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May 2026

CFP Board
Code of Ethics and Standards of Conduct
Standards of Conduct

- **Duties Owed To Clients**

1. **Fiduciary Duty**

At all times when providing Financial Advice to a Client, a CFP® professional must act as a fiduciary, and therefore, act in the best interests of the Client. The following duties must be fulfilled:

- **Duty of Loyalty.** A CFP® professional must:
 - Place the interests of the Client above the interests of the CFP® professional and the CFP® Professional's Firm;
 - Avoid Conflicts of Interest, or fully disclose Material Conflicts of Interest to the Client, obtain the Client's informed consent, and properly manage the conflict; and
 - Act without regard to the financial or other interests of the CFP® professional, the CFP® Professional's Firm, or any individual or entity other than the Client, which means that a CFP® professional acting under a Conflict of Interest continues to have a duty to act in the best interests of the Client and place the Client's interests above the CFP® professional's.
- **Duty of Care.** A CFP® professional must act with the care, skill, prudence, and diligence that a prudent professional would exercise in light of the Client's goals, risk tolerance, objectives, and financial and personal circumstances.
- **Duty to Follow Client Instructions.** A CFP® professional must comply with all objectives, policies, restrictions, and other terms of the Engagement and all reasonable and lawful directions of the Client.

Investment advisers registered under the Investment Advisers Act of 1940 are considered fiduciaries to their clients. This principle was clearly articulated by the U.S. Securities and Exchange Commission and reinforced by the U.S. Supreme Court in *SEC v. Capital Gains Research Bureau, Inc.*, which stated that the Advisers Act establishes a federal fiduciary standard for investment advisers.

Fiduciary Duty of an SEC-Registered Investment Advisor

1. Duty of Loyalty

The advisor must **put the client's interests ahead of their own.**

Key elements:

- Avoid conflicts of interest whenever possible
- Fully disclose any conflicts that cannot be avoided

- Never use client information for personal gain
- Seek the **best execution** when trading securities

Simple explanation for clients:

Your advisor must treat your money as if it were more important than their own.

2. Duty of Care

The advisor must provide competent and diligent advice.

This includes:

- Understanding the client's financial situation and goals
 - Making recommendations that are suitable and appropriate
 - Conducting reasonable research and due diligence
 - Monitoring investments when part of the advisory agreement
 - Providing advice that is in the client's best interest
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3. Full and Fair Disclosure

Advisors must disclose all material facts that could influence the client's decision.

Typical disclosures include:

- Compensation structure and fees
- Conflicts of interest
- Disciplinary history
- Affiliations with other financial firms
- Any incentives tied to recommendations

Much of this appears in Form ADV, which every SEC-registered advisor must provide.

4. Duty to Act in Good Faith

The advisor must act with honesty, transparency, and integrity in all dealings with the client.

This includes:

- Clear communication
 - Accurate reporting
 - Not misleading the client in marketing or recommendations
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5. Ongoing Responsibility

A fiduciary duty is continuous, not just at the moment of a recommendation.

The advisor must:

- Revisit the client's situation periodically
- Update advice when circumstances change
- Maintain proper records and compliance procedures