



THE ALTFEST ADVISORY LETTER

HOW ALTFEST SERVES YOU BETTER BY BEING A FIDUCIARY

BY DANIEL SCHOENBERG, JD
SYSTEMS ADMINISTRATOR



As you may know, Altfest is a fee-only advisory firm. We do not accept commissions or gifts from the funds we invest in. We only choose what we believe is best for each client on an individualized basis.

You may have heard recently about proposed changes in the way financial services are being regulated under a proposed rule known as the Department of Labor Fiduciary Rule. To understand why the government proposed new rules it helps to know that not all advisors are compensated the same way and not all advisors are legally obligated to do what is best for you.

Compensation of Financial Advisors

Before 1982, many financial advisors got

CONTINUED ON PAGE 2

IN THE NEWS

FORBES BEST-IN-STATE WEALTH ADVISORS

We are proud to announce that both **Karen C. Altfest, Ph.D., CFP®** and **Andrew Altfest, CFP®** have been recognized by *Forbes* as 2018 “Best-In-State Wealth Advisors.” Considered by *Forbes* to be among the nation’s best advisors, Karen and Andrew were selected based on several considerations, including client service model, investing process, business type, as well as their level of experience and integrity.

ALTFEST’S CORPORATE TRUSTEE SOLUTION

BY RYAN GRAHAM
FINANCIAL ADVISOR



Here at Altfest, we have a corporate trustee solution available for clients seeking an established company to serve as a trustee, co-trustee or even successor trustee for their trust.

What exactly is a corporate trustee?

In a common personal trust structure, one may choose to act as the trustee alone, appoint a reliable family member/friend or engage an established corporation. Traditionally, this corporation would act both as the trustee and investment manager, in a high-priced “bundled” solution. With the passage of the Uniform Prudent Investor Act of 1995 and the development of more-flexible trust laws in many states, a trust can now split the responsibilities. For example, a trust document can now stipulate not only the trustee, but also a separate company, as being responsible for the trust’s administration. A separate “preferred” investment manager can also be specified.

Using the corporate trustee solution, Altfest has the ability to act as the investment advisor for a trust at the same time an outside company administers the trust and acts as trustee.

Here are some key benefits of using an independent trust company — in partnership with

Altfest’s services — as a trustee instead of the trust division of a large private bank:

1. Lower Minimum Assets and Fees

Independent trust companies likely will have lower minimum fees than most private banks. Additionally, the total cost of trust management can be less due to the bifurcation of trust responsibilities, increased negotiation power and use of a low-cost custodian platform.

2. Objective Advice

By having these duties separated — sometimes referred to as “directed” or “delegated” — clients can feel comfortable that an experienced professional is responsible for duties in which they specialize. In this case, the Altfest financial advisor would be responsible for the investments and asset allocation, while an independent trust company could act as a trustee, handling the administrative duties such as making distributions, filing tax returns and performing trust accounting in compliance with state law.

Typically, private banks will only serve as a corporate trustee if they are also enlisted as the investment manager. However, this could lead to a conflict of interest because the bank does not have an incentive to keep investment costs low and may prefer to choose its own

CONTINUED ON PAGE 3

HOW ALTFEST SERVES YOU BETTER BY BEING A FIDUCIARY

CONTINUED FROM PAGE 1

paid on commission, which meant they got paid for every action they took on your behalf. Whenever the advisor bought or sold a product, the advisor got paid by the provider.

Some advisors felt that being commissioned-based was not objective. They wanted to focus on planning and to make decisions about financial instruments that did not include payment to the advisor from the transaction. This group of advisors, including Lew Altfest, created a fee-only model. Fee-only advisors do not accept compensation based on product sales, and often charge fees based on total assets managed instead.

Since Altfest is a fee-only firm, our risk is aligned with yours. If an investment falls short, there is a loss both for you and for us. Additionally, due to the way we are structured as a fee-only Registered Investment Advisor (RIA), Altfest is required by law to always act in your best interest, which is not true for most other financial advisors. AARP, *The Wall Street Journal* and *CNBC* all have recommended using fee-only advisors.

The success of fee-only advisory services caused fear among some managers who did not practice this way, so for that and other reasons they created a new term to explain their business model, the “fee-based” model. In contrast with fee-only, fee-based is a combination of commissions from sales plus additional revenue from assets under management. Some say this name was created to cause confusion in the marketplace. As Geof Brown the President of NAPFA told the *Chicago Tribune*, “Fee-based is tossed around a lot in the industry to disguise the fact that someone is compensated by commission

The foregoing content reflects the opinions of Altfest Personal Wealth Management and is subject to change at any time without notice. Content provided herein is for informational purposes only and should not be used or construed as investment advice or a recommendation regarding the purchase or sale of any security. There is no guarantee that these statements, opinions or forecasts provided herein will prove to be correct.

Past performance is not a guarantee of future results. All investing involves risk, including the potential for loss of principal. There is no guarantee that any investment plan or strategy will be successful.

Crain's Custom editors choose candidates for Notable Women in Finance based on their professional, civic and philanthropic achievements. Candidates must work in asset management, banking, capital markets or credit cards and work in New York City. Crains seeks candidate who greatly contribute to the advancement of women in their workplace or industry as a whole. Barron's listings of "America's Top 100 Independent Financial Advisors" is based on assets under management, revenues generated by advisors for their firms, and the quality of the advisors' practices. Investment performance is not an explicit criterion because performance is often a function of each client's appetite for risk. In evaluating advisors, they examine regulatory records, internal company documents, and 100-plus points of data provided by the advisors themselves. The Forbes ranking of Best-In-State Wealth Advisors, developed by SHOOK Research, is based on an algorithm of qualitative criteria, mostly gained through telephone and in-person due diligence interviews, and quantitative data. Those advisors that are considered have a minimum of seven years of experience, and the algorithm weights factors like revenue trends, assets under management, compliance records, industry experience and those that encompass best practices in their business and in their approach to working with clients. AdvisoryHQ's ranking methodology is based on a wide range of filters including fiduciary duty, level of customized service, and history of innovation. None of these publications receive a fee in exchange for rankings.

Rankings and recognitions by unaffiliated publications should not be construed by a client or prospective client as a guarantee that Altfest will provide a certain level of results in client accounts nor should they be construed as current or past endorsements of Altfest by clients. Listed publications base their selection on publicly available information. Altfest is not responsible for any content prepared by outside publications regarding the products or services offered by Altfest.

and fees.”¹ If a non-fee-only investment manager decides that you need a mutual fund made up of small-cap funds, they can choose one that will pay them a high commission, and may also get additional compensation if the fund does well. The advisor would earn less if the fund did not do well, but they would still have made money from getting you into the fund.

Ethics of a Financial Advisor

Financial advisors are legally and ethically governed by two different sets of standards: suitability or fiduciary. Managers who follow the suitability standard must choose investments that are “appropriate” in terms of an investor’s personal circumstances and willingness to take on certain levels of risk.² The advisor must have a reasonable and rational belief that an investment generally meets the investor’s objectives and needs. All fee-based and commission-only financial advisors are governed by the suitability standard.

Altfest is governed by a higher standard of care: that of a fiduciary. A fiduciary must put the interest of their client over their own and do what is best for their client. The fiduciary standard has two parts, a duty of loyalty and a duty of care. This higher standard requires Altfest to: 1. Report any possible conflicts of interest to their clients. 2. Strive for the best combination of low costs and quality of investment vehicles. 3. Altfest employees cannot buy a security before we buy it for you to avoid raising the price for you or benefiting from our advice to you. If Altfest recommends the buying of a mid-cap mutual fund, Altfest does not take a commission from that mutual fund in any way. Financial Planning decisions are also custom tailored to fit both your needs and your interests. Altfest applies our fiduciary obligation to both our investment management and our financial planning advice.

Altfest has, from its founding in 1983, always been fee-only and a fiduciary. Altfest does diligent research in an effort to ensure every investment choice for each client is correct for that client in terms of cost, risk and prospects for future performance. Lew Altfest was a founding member of the National Association of Personal Financial Advisors (NAPFA), an association that requires members to be fee-only and always put their client's interest above their own.

Altfest prides itself on being early to promote the idea that the interest of the client and the firm should be aligned. As our own Paul Palazzo said, “We can remain dispassionate about the advice we give and stay passionate about helping our clients.” Then we all win.

Daniel Schoenberg is Altfest's Systems Administrator. He also works in compliance and security for the firm to protect client data. Daniel holds a BA from Drew University and a JD from Rutgers Law School.

¹ *Chicago Tribune*, “Fee-only financial advisers are different from fee-based” by Anya Kamenetz, May 12, 2015

² Investopedia.com

ALTFEST'S CORPORATE TRUSTEE SOLUTION

CONTINUED FROM PAGE 1

proprietary investment products over potentially better-performing ones.

3. Investment Flexibility

Traditionally, a private bank would act as a “one-stop shop” and offer limited investment options. The grantor (the party creating the trust, often our client) would be constrained by the proprietary, high-fee investment products of large banks. In a directed trust, clients have the freedom to choose their own advisor, one like Altfest with access to an almost-unlimited number of investment options.

4. Peace of Mind

When the corporate trustee assumes much of the administration, greater peace of mind for the grantor results. Many individuals lack the experience to serve as trustee, leading to headaches and even potential future liability. A corporate trustee will not be biased in the administration of your trust, become incapacitated or find a true love and move to Paris on a whim.

How do you know if this arrangement is right for you? And how would it work?

Consider, for example, potential future family conflicts in making your decision whether to hire a corporate trustee. A corporate trustee will adhere objectively to your wishes identified in your trust document, while acting as a decision maker in any disputes. You might think over hiring a corporate trustee to act as a co-trustee with a family member or friend. If your trust is complex or very large, you should consider a corporate trustee as a viable option to reduce the liability that comes with

acting as a trustee (or fiduciary). Additionally, if you have a trust managed outside Altfest and have been told it is “immovable,” we can help you determine if that is true. The trust company may simply be afraid of losing your business.

How Does It Work?

The trust language (possibly in your will) would need to designate a corporate trustee as the current or successor trustee. Every trust is different, and your situation can be evaluated, at no cost, by the independent trust company. We currently have experience with two, Schwab Trust and BOK Financial Trust Services. Both are backed by large, established corporate parents, and each provides personal corporate trustee services at a reasonable cost. Unlike private banks, we are not limited to these two companies and instead utilize an “open architecture” approach: We can help determine the best trust company for you considering factors such as cost, location, and the various special services each offers.

When the managed trust is up and running, Altfest would still act as your preferred communication channel.

If you would like more information about whether a corporate trustee is right for you and your estate planning needs, feel free to give us a call.

Ryan Graham is a Financial Advisor at Altfest. Ryan works with clients and their families to develop and implement financial plans designed to achieve their personal and financial goals. He has passed all three levels of the CFA® program exams, and is currently studying for the CFP® exam.

INVITE AN ALTFEST PROFESSIONAL

Invite an Altfest Professional to speak to your organization:

Altfest professionals are often asked to speak on wealth management topics. If you know of a company, an organization, or a group of friends who might benefit from our educational sessions, please contact Reza Rezvi at (212) 406-0850 or rrezvi@altfest.com

Recent topics include:

- Overcoming Mental Roadblocks to Achieve Financial Success
- 6 Tips for Realizing a Secure Retirement
- Current Portfolio Strategies for 2018
- Moving Forward after the Loss of a Loved One

445 Park Avenue, 6th Floor
New York, NY 10022
Phone: (212) 406-0850
Fax: (212)406-0867
www.altfest.com



THE ALTFEST ADVISORY LETTER:
QUARTERLY NEWSLETTER

In This Issue:

Altfest's Corporate Trustee Solution	1
How Altfest Serves You Better by Being a Fiduciary	1
Invite an Altfest Professional	3

E-mail rezvi@altfest.com to receive the next Altfest Advisory newsletter via email.

ALTFEST PERSONAL WEALTH MANAGEMENT: IN THE NEWS

- For the third consecutive year, **Altfest Personal Wealth Management** has been named one of nine “Top Rated Advisors in New York, NY” by *AdvisoryHQ*.
- **Crain's New York Business** has named **Karen Altfest** to its inaugural list of “Notable Women in Finance”
- **Andrew Altfest** participated in the **Barron's** Top Advisory Teams Summit, where he spoke on “The Demand for Digital Experience: Incorporating Technology into Your Business.”
- **Lew Altfest** spoke with **Money** magazine for the article, “Forget Stocks: This Is The Market Tumble Your Should Really Worry About.”
- **Karen Altfest** appeared in the **The Wall Street Journal** article, “What to Consider Before Joining a Nonprofit Board.”
- **Andrew Altfest** was interviewed by **Kiplinger's Personal Finance** magazine for the article, “Consider Alternative Funds to Hedge Against a Market Downturn.”
- **Ekta Patel** offered some insight for the **Investor's Business Daily** article, “Shifting Global Markets Offer Income Investors Ripening Opportunities.”

Thank You Paul Palazzo

It is with both personal regret and warm wishes that we announce that Paul Palazzo is retiring at the end of June from his position as Managing Director.



As many of you know, Paul has been an integral part of the firm for more than 17 years. His analytical tenacity and deep empathy have helped our clients achieve their objectives and helped the many staffers he has mentored grow and achieve excellence. Paul has been an integral part of our efforts to do even more for our clients in financial planning. In addition, his thoughtful voice has played an important role on our Leadership team. While we will miss Paul's daily contributions and dedication, we also value and respect his decision to retire. We wish him the very best in his well-deserved respite as he moves into the next phase of his life.