



ou may have heard the word “fiduciary” mentioned recently in the news or maybe just in casual conversation. Did you ever wonder what the word means?

New regulations promulgated by the Department of Labor became effective on June 9 requiring all financial advisors to act as “fiduciaries” when advising clients on investment assets held in any retirement account including IRAs and 401(k) plans. According to the new regulations, financial advisors should only render investment advice that is in the clients’ best interest and should be void of any conflict of interest. In other words, retirement investment advisors should be “fiduciaries”.

So, where does this word “fiduciary” come from? Here is a brief article and interesting history of the Latin word “fiduciary” originating in the first century:

“The Romans are commonly thought to have been a fairly barbaric, even if advanced, civilization and not unfairly so. For 400 years, gladiators fought one another to the death in the Coliseum as a form of entertainment, to help the idle rich and poor while away the day.

Yet in other ways, they showed themselves to have a more humane sensibility than some other major civilizations. For instance, Roman law capped interest rates at 12% per annum (or 1% a month). Any attempt to charge a higher rate was considered criminal - not lending or banking, but usury. The Romans also had a strict law that forbade borrowers from having to pay any compound interest.

Socially, they may have had an accepting attitude toward their deities, keeping their Cosmo’s crowded with the multitude borrowed from the Greeks, but when it came to marriage, they believed in monogamy - only one domestic deity at a time. The Romans did not have a harem culture, nor did they have a culture of unbreakable, arranged marriages.

One could get out of an unhappy marriage. But one had to pay.

This is where the “fiduciary” came in. If a woman was determined to extricate herself from a match made somewhere other than heaven, her family could pay the husband to free his wife from her marital

obligation. The person trusted to carry the fee to the husband, and then to conduct the woman safely home to her family, was called a “fiduciary”.

Sharing the same root as the word fidelity, the term “fiduciary” also encompassed the ideas of faithfulness and trustworthiness. Only people who were completely trustworthy, and who had only someone else’s best interest in mind and at heart, would be chosen to serve - and rightfully so.”

The investment advisory industry has lobbied against these new DOL regulations for a variety of reasons - some good, some not so good. From our firm’s perspective, and other firms similar to ours, we are proud to call ourselves fiduciaries. As a matter of fact, we have one representative who is an accredited investment fiduciary. As for us at H Financial Management, it only makes sense to offer the same investment advice to clients as we might also render to ourselves under similar circumstances. This golden rule works just as well in business as it does in our personal lives and we enjoy many valuable and rewarding client relationships as a result. If you are a person looking for a financial advisor in whom you can place your utmost trust and confidence, you may want to give us a call.

Great Moments in Financial History from Russell Investments and AranPatrick Murphy, Andreau, Jean. Banking and Business in the Roman World. Cambridge University Press, 1999. The Oxford English dictionary.



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