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Fiduciary Now! How to Protect Main Street from Wall Street's Casino Culture

When I thought of what Washington needs to do to protect Main Street from Wall Street today, I thought of the phrase "Apocalypse Now," but not the great Francis Ford Coppola movie or its source — Joseph Conrad's haunting novella Heart of Darkness.

Some bold, dramatic statement needs to be made to rescue investors from Wall Street's mercenary casino culture, so I would re-tool the phrase to **"Fiduciary Now!"**

A fiduciary is a professional who looks out for your interests before his own or that of his firm. First and foremost, he is a steward of your money and of his own advice. Unlike a broker or an agent, he is not working solely for a commission and must provide the most prudent advice or products to you. If he was in the golf course landscaping business, it's the difference between a grounds keeping superintendent and a fertilizer salesmen. The former is interested in responsible, long-term growth, while the latter — mostly his own profit.

Certified financial planners and registered investment advisers, for example, are mostly fiduciaries. If they wrong you, you can sue them. Brokers and agents are generally not. In a dispute over bad advice or inappropriate products, you have to submit to their industry's labyrinthine arbitration system, in which lots of cards are stacked against you and you have to prove that they wronged you. In many cases, you won't get your day in court.

The difference between the two business models is who is first on their agenda. With fiduciaries, it's client-centered; with brokers, their firm's bottom line. That much hasn't changed in hundreds of years, but it should.

Under the Dodd-Frank financial reform act, which Wall Street and brokers abhor, the wise drafters of the law asked the Securities and Exchange Commission (SEC) to study a uniform fiduciary code for brokers. The agency obeyed Congress and recommended that such a universal rule be adopted. Then, when the agency began to draft rules, it was harassed by Wall Street, Republicans in the House and the insurance industry into justifying it through a tortuous cost-benefit analysis, which has tied it up in bureaucratic purgatory for more than two years. The US Department of Labor is in a similar muddle over a fiduciary rule it wants to implement for retirement plans. Both may never see the light of day — unless we demand it.

Fiduciary practice is so horrifying to financial services industry executives because it forces them to do the right thing and treat people as clients and not targeted customers.

Here's what Jack Bogle, the eminent founder of the Vanguard Group, where I have most of my retirement money, says would happen if just mutual fund managers would become fiduciaries, or simply responsible stewards of their investors/funds:

1) They would lower management fees and operating expenses.

2) They would reduce portfolio turnover, the amount managers buy and sell securities to further trim expenses (you pay for this, but the cost is largely hidden).

3) They would offer fully diversified funds and invest in indexes that give you broad-market exposure at a fraction of the cost of actively managed portfolios.