



Registered Investment Advisor  
vs. Wall Street Broker-Dealer:

# The Design of Parallel Advisors



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As owners of capital we face a bewildering array of investment choices and the classic challenge of information overload, the exposure to too much data. Behavioral scientists have long known that these conditions typically result in a paralysis of critical thinking that can lead to a series of poor investment choices.

Historically, Americans' ability to access the financial markets was dominated by large Wall Street brokerages and other banks that enjoyed an information advantage due to the expense of running a full capital markets operation. The advance of technology has now dramatically altered the investing landscape, democratized information and access, and provides a full environment for true independents to serve investors.

Critical distinctions in the regulatory environment are of high import to investors as we make decisions about how to manage our money. Following the stock market crash of 1929, Congress established the first



rules for Wall Street in the Securities Exchange Acts of 1933 and 1934 and later, to further protect the public and the national interest, passed the Investment Company Act of 1940. These laws frame the basic issues fundamental to making a choice about how to invest and manage your capital.

## **Fiduciary Standard**

The regulations for Broker-Dealers require brokers to conform to a “suitability” standard when selling investment products to the public. This is a lesser standard. Indeed, it requires the brokers to “know” their client so they may render advice they can justify as suitable. This, in many minds, is the source of the distrust the industry has historically borne and a challenge that Parallel Advisors is designed to address.

The Investment Company Act of 1940 elevated the standard for Registered Investment Advisors (RIAs) to that of fiduciary, which legally requires them to place the interests of clients first and foremost, to be fully transparent on fees, and to act in every respect in the best interests of the clients. All RIAs are regulated directly by the Securities and Exchange Commission. Broker-Dealers are primarily self-regulated by FINRA, an independent, industry supported organization. The choice to be an RIA is at the heart of the Parallel Advisors mission: to eliminate the fundamental conflicts of interests prevalent on Wall Street and to form a firm completely aligned with the clients' best interests. To be a fiduciary (as with an attorney at law) requires a relationship based on trust and confidence. We are legally bound to this standard and excited to work in this capacity with our clients.

## **Open Architecture**

In the selection of investment choices perhaps no factor is more important than the ability to be completely independent and not restricted to the in-house products of any Wall Street firm. This includes our ability to access low cost index funds, to hold managers accountable for their results and to be able to analyze risk profiles and correlations in search of the optimal portfolios for each client. We employ an extensive array of external, independent financial research analysts as part of our investment process. We are free to seek the best asset allocation for an investor's risk adjusted return goals. We routinely brief our clients on all aspects of the financial markets and how the current landscape forms opportunities for meeting our investing goals.

## **Team Approach**

In the design of Parallel Advisors the founding Principals sought to address an additional shortcoming of traditional Wall Street – the isolation of the financial professional. Virtually all firms have their “advisors” working independently in distributing the firms' central strategy to their clients. Investing products can



include many forms of securities (in-house and externally managed), loans and insurance. As primarily public companies their focus is naturally on providing the highest return for their shareholders, and this is often analyzed on a quarter to quarter basis.

The founders of Parallel Advisors saw in this a further opportunity to bring value to clients: by forming the firm as a team, with all principals as owners, the entire team is aligned to pursue the best interests of all Parallel Advisors' clients. We work together toward the success of all, contributing our own unique talents in a culture and organizational design focused always on client outcomes first and foremost.

## **Full Array of Investment Services**

As providers of investment advice, we do not custody our clients' assets, instead employing the most familiar institutional custodians in the market, Fidelity and Schwab. These providers offer low cost and the highest degree of safety. Again, as independent fiduciaries, we constantly monitor the marketplace to provide a superlative service and security offering for custody as well as the most advanced technology in all aspects of our relationship, e.g. performance reporting, financial planning and trading. Our fundamental commitment to planning sets the course for the establishment of our investing guidelines for all clients as we chart the course for achieving their goals.

## **Culture and Governance**

The design of Parallel Advisors has set a strong foundation aimed at delivering superior value to our clients. The task then becomes to stay true to this purpose while continuously improving and evolving. This depends on the integrity, vision and commitment of the Principals who collectively own and manage the firm. We pride ourselves on building upon the higher legal standard of Registered Investment Advisors to deliver a superior service to our clients.

A recent move in Congress to enforce this higher standard on all providers of financial services has been abandoned due to pressure from brokerages and banks actively resisting this change. We believe investors will be well served to consider this distinction in their selection of a financial advisor.