

Fiduciary Responsibilities in a Rising Rate Environment

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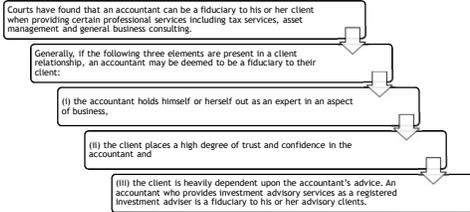


Who is A Fiduciary?



► A fiduciary has a legal duty to act solely in the best interests of the beneficiary. While an accountant normally is not considered to be a fiduciary to his or her clients, the AICPA Professional Code of Conduct embodies standards of conduct which are closely analogous to a fiduciary relationship—objectivity, integrity, free of conflicts of interest and truthfulness. Accountants who provide audit services cannot be held to a fiduciary standard given their duty to the public.

Is A CPA A Fiduciary?



Why Are Rates Rising and What Does That Mean for Your Clients?

- ▶ Interest rates rise when the economy expands— and that means good news and bad news.
- ▶ Rising interest rates means it will cost more to borrow money and , bonds tend to be negatively impacted when rates rise. Higher rates drive bond prices down because new issues make older bonds with lower yields less attractive
- ▶ Stocks, which benefit from increased consumer and capital spending, are positively affected in a rising rate environment, particularly in the 12 months following a rate increase.

Every fiduciary has certain obligations, and it is important to make certain you:

- ▶ Clearly understand your fiduciary obligations
- ▶ • Have the appropriate tools and resources necessary to perform your duties with integrity and competence
- ▶ • Take measure to ensure you have met your responsibilities to clients, in a prudent and objective manner

How Does One Fulfill a Fiduciary Duty?

Process & Documentation

- ▶ • Duty of Care - "informed business decisions."
- ▶ • Duty of Loyalty - "not permitted to use position of trust to further private interests."
- ▶ • Duty of Good Faith - "advance the interests of the corporation"
- ▶ • Duty of Disclosure - "disclose all the materials facts and information."
- ▶ • Duty of Prudence - "degree of care, skill and caution"

THANK YOU!

QUESTIONS?????

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