CONSERVATIVE
FINANCIAL SOLUTIONS

Retail vs. Institutional Investing

If you had the opportunity to buy a car direct from the manufacturer as opposed to buying it from a dealership, would you take it? Of course you would, it would eliminate the middleman mark-up. The less hands taking money from the financial pie the better off we all are as consumers. The same is true when it comes to your investments and saving for retirement.

Saving for retirement is a tremendous undertaking. Broken down to the very basics, it is the attempt to accumulate enough wealth to go into full-time unemployment for 30 or more years! Many of us begin saving for retirement by investing in our company's retirement plan or in Mutual Funds, this is referred to as retail investing. It is a great starting point, however, as we earn more and have more money saved, other options become available that are better for retirement income planning.

Many times, when I'm meeting with perspective clients, they are interested in comparing and truly understanding the differences between retail and institutional investing. They want to move away from mutual fund investing (retail investing), eliminate the middleman mark-up, and invest directly with the manufacturer (institutional investing). I share with my perspective clients that there are many differences between retail and institutional investing, but ultimately it all comes down where the money is invested, the fees associated in maintaining the accounts, and the financial advisor themselves.

"When you begin planning for retirement, it becomes very important to know where your money is going and the plan behind its growth." — Roger Ford

Simply stated, retail investing primarily consists of Mutual Funds. Retail investing is great for an early investor. It does not take much money to get started, and one can contribute what they want, when they want. On the other hand, these investments tend to be fee intensive and they are not personalized, they are simply categorized. Instead of having a financial plan specifically tailored to one's goals and objectives, the money is placed into a Mutual Fund category that "fits best." It is one notch above a one-size-fits-all plan. Finally, retail investing is based on commissions. A Mutual Fund has an investment research team along with manager(s) who are compensated to maintain the fund and they deserve to get paid for their work. But, every time a stock in a mutual fund is purchased or sold, a fee is generated no matter if the Mutual Fund is up or down.

Institutional investing, allows an advisor to work directly with the manufacturer. Here at Conservative Financial Solutions, we invest institutionally. The plans we create for our clients are appropriate for today, tomorrow, and into the future because we operate from a fiduciary standard. Typically there is a quarterly fee based on the value of the account. If the account goes up, we are paid higher, if it goes down, we are paid less. In the institutional investing, we have a fiduciary responsibility that we take pride in. We spend the time getting to know our clients and their goals in order to create the best mix of investments to generate the income they desire in their retirement. This is much different from a commission based retail advisor that operates from a suitability standard, meaning that what they are recommending is suitable at the moment.

When you begin planning for retirement, it becomes very important to know where your money is going and the plan behind its growth. Retail investing is categorized, it is not personalized, but it is ideal for the majority of early investors. On the other hand, institutional investing is for those who have been saving and are ready for more opportunities. Here at Conservative Financial Solutions, we are proud to be able to offer institutional investing opportunities to our clients that are personalized for their individual goals.

Conservative Financial Solutions | Roger L. Ford
10403 Harrison Ave. | Harrison, OH 45030
513.367.1113 | ConservativeFinancialSolutions.com