Defining "fiduciary" from all angles.

This term has grown to be extremely popular over the last few years within the retirement and financial planning space. When it comes to retirement plans, it's important to understand the different types of fiduciaries that are out there and how to tie those individuals in with the bigger picture.

What is a fiduciary?

A fiduciary is a person who holds a legal or ethical relationship of trust with one or more other parties. Typically, a fiduciary prudently takes care of money or other assets for another person. In the case of retirement plans, it is any person who interacts with the retirement plan as a **named fiduciary** or a **functional fiduciary.**

What's the difference?

Named Fiduciary – this is the individual named in the plan document. Typically this person is considered the one that is required to sign most documents and is identified in specific plan procedures. Some examples of this person are the CEO, the CFO, the company owner(s), or a directed trustee.

Functional Fiduciary – This is someone, or a group of people, that have a daily role in the operations of the plan. They may exercise discretionary authority over different administrative functions and may render investment advice for compensation. Some examples are, the individual that uploads payroll, the person that approves loans, or a hired advisor.

Though these individuals have different levels of involvement with the plan, both are considered *fiduciaries* and should be as well educated on the plan as possible.

Who can be hired to mitigate some liability?

Though a Plan Sponsor can never fully alleviate themselves from their fiduciary responsibility, certain experts can be hired to help diminish some of these fiduciary burdens.

3(16) Administrative Fiduciary – This is an individual that is named as the plan administrator and might take responsibility for certain administrative functions or daily operations of the plan. This can be performed by someone at the company or can be hired to help take fiduciary responsibility of these tasks. Some examples of these are approving/authorizing distributions, sending mandatory notices/disclosures, and completing government reporting services.

3(21) Non-Discretionary Advisor - A 3(21) advisor assumes co-fiduciary liability with the plan's fiduciaries. In addition to the other services the firm will provide, they will typically engage in investment advice with participants and the investment options within the program. The advisor will make recommendations on investments and their performance, but the investment change or removal decisions will still be made officially by the investment committee or plan sponsor. Statherós Financial can function as a 3(21) Non-Discretionary Advisor.

3(38) Investment Manager - A 3(38) Investment manager is an advisor that assumes discretionary authority over the investment changes and removal within a plan and make those changes for the plan sponsor or investment committee. They will then alert the committee and required parties of these changes. Statherós Financial Solutions typically operates as a 3(38) Investment Manager.

How does this tie into the bigger picture?

Understanding what a fiduciary is and the responsibilities that come along with it is extremely important. But tying it all together to execute the best retirement plan possible is essential to being a "good fiduciary."

Recognizing a prudent process and following it – it is most important to remember that fiduciary liability is not necessarily determined by investment performance, but rather by the way a given process has been tracked and executed. Remember that knowledge is power. If you are serving in a fiduciary capacity, understanding your role and how to navigate it is key.

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