CHARTER
Wealth Management

Enriching Lives through
Smarter Investing

FIDUCIARY BRIEF

Captive vs. Independent Advisor: Who Is Your Advisor Actually Working For?

Every advisor will tell you they act in your plan's best interest. The structure of their firm determines how much room they actually have to do it.

WHY IT MATTERS NOW

Roughly 92% of plan sponsors now use an outside investment advisor or consultant — but “having an advisor” and “having an independent fiduciary” are not the same thing. A captive advisor operates inside a firm with its own proprietary platforms, in-house funds, or sales targets; an independent advisor has no such platform to steer business toward. As fiduciary litigation and DOL enforcement both intensify, the structural question of who your advisor answers to is no longer a background detail — it directly shapes whose interests get protected when a recommendation is made.

THE CORE DIFFERENCE

	Captive Advisor	Independent Advisor (RIA)
Compensation	Often includes commissions, sales quotas, or incentives tied to proprietary products	Fee-only, clearly disclosed — no commissions or product-sale incentives
Investment menu	May be limited to, or steered toward, the firm's own funds and platforms	Open architecture — investments chosen purely on merit and fit for the plan
Fiduciary status	Often a broker-dealer relationship; may not accept full fiduciary status	Typically a full fiduciary (3(21) or 3(38)) under ERISA §404
Where liability lands	Frequently stays with the plan sponsor alone if something goes wrong	Shared or shifted to the advisor, depending on the fiduciary role

WHAT THIS MEANS FOR YOUR PLAN

- Neither model is automatically disqualifying — but a captive relationship shifts more of the fiduciary burden back onto you, the plan sponsor, especially if your advisor doesn't accept fiduciary status at all.
- Ask directly: does your advisor's firm have proprietary funds, platforms, or in-house recordkeeping that they have any incentive to recommend? The answer should be documented, not assumed.
- Even independent advisors vary — confirm in writing whether yours is acting as a 3(21) co-fiduciary or a 3(38) investment manager, and how they're compensated for each plan-related service.

CWM'S TAKE

CWM is independent — we have no proprietary funds, no sales quotas, and no in-house platform to steer plans toward. We're also recordkeeper-neutral, working across all major platforms and selecting whichever fits your plan best. That's not a marketing point; it's a structural fact you can verify, and it's exactly the kind of thing worth verifying about any advisor before you decide whether a change is warranted.

Not sure how your current advisor's compensation actually works? A complimentary CWM Fiduciary Benchmarking Study will lay it out plainly.

Charter Wealth Management
919-729-2100 | info@charterwm.com
8601 Six Forks Road, Suite 400, Raleigh, NC 27615
charterwm.com