The Worst of Both Worlds? Dual-Registered Investment Advisors, a study by Professor Nicole Boyson, shows that dual-registered advisors are prone to falling short of their fiduciary duty by not always acting in their clients' best interest. In coming to this conclusion, the study examines the public filings of nearly 7,000 advisors. According to the report, on average, dually-registered advisors have more disciplinary actions, have more conflicts, charge higher fees, and have worse investment performance than independent advisors (Sunrise Advisors is an independent advisor).

Dual-registered advisors are the vast majority of all advisors and oversee 81% of all assets under management (AUM) in the United States. Chances are your advisor is dually registered. If so, according to Professor Boyson's study, here are some things you should know:

- Dual-registered advisors charge higher fees to both high-net worth and retail clients. On average, high-net worth clients of dual registrants pay 1.4% of assets compared to 1% of assets of independent RIA clients. This difference is larger for retail clients: dual registrants serving these clients charge 2.2% of assets.
- Clients of dual-registered advisors do not appear to receive additional services for these higher fees: only 3% of these clients receive additional financial planning.
- Dual-registered advisors have a higher proportion of employees licensed to sell insurance than independent RIAs (77% vs. 23% for RIAs).
- Dual-registered advisors are more likely to have an affiliated or related party insurance company (31% vs. 7% for RIAs).
- The odds for dual-registered advisors simultaneously managing and sponsoring wrap programs are about 300% higher than for independent RIAs. When the same firm manages and sponsors a wrap program, a potential conflict exists because the firm earns higher total revenue when the adviser chooses a firm-managed wrap program.
- The odds that dual-registered advisors will engage in revenue sharing are over 1,000% higher than the odds for independent RIAs.
- 10% of dual-registered advisors employ a convicted felon compared to 0% of independent RIAs. Dual-registered advisors are more likely to employ an adviser that has: made a false statement to the SEC (21% for dual registrants compared to 1% for independent RIAs), violated SEC statutes (38% compared to 1%), had an SEC order against them (55% compared to 2%), or had a court enjoin an action (14% compared to 0.3%).
- Dual registrants are more likely to be disciplined for RIA-related violations than independents RIAs.

In the end, Professor Boyson concludes that "overall, dual registrants have far more conflicts of interest than independent RIAs. First, dual registrants cross-sell insurance products to fiduciary clients. Second, they simultaneously manage and sponsor wrap fee programs. Third, they engage in revenue sharing arrangements with the same broker sold fund families they sell their brokerage clients, and finally, they sell affiliated funds and perform less rigorous due diligence on these funds."