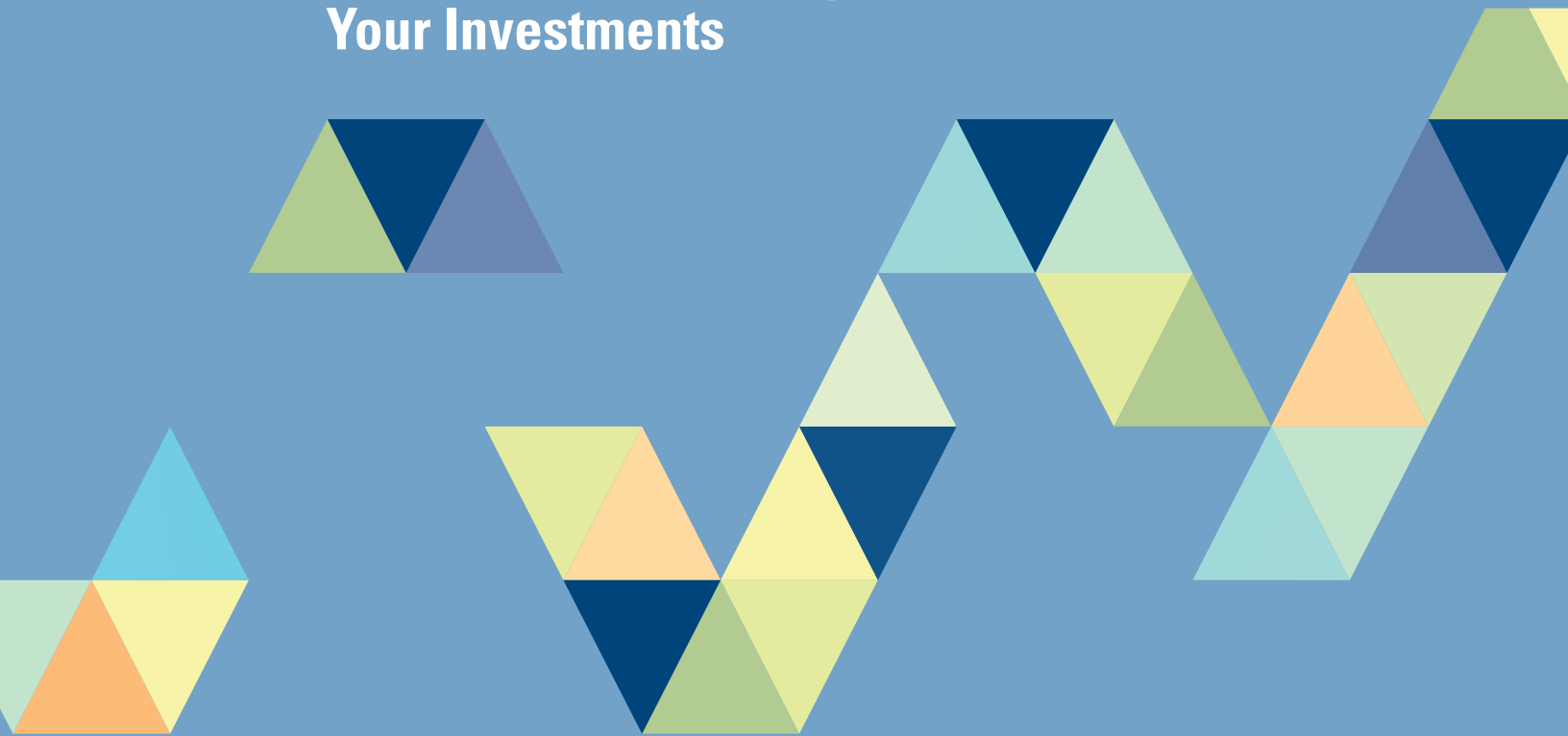


Cutting through the Confusion

Where to Turn for Help with Your Investments



- What Services Do You Want?
- What Types of Providers Offer Assistance with Investments?
- How Do You Pay for These Services?
- What are the Differences in Investor Protection?
- Questions to Ask Yourself Before You Invest
- Questions to Ask Your Investment Services Provider



Where to Turn for Help with Your Investments

While some people are comfortable handling their own investments, many are not. They find the idea of creating a plan for allocating their assets bewildering, choosing a mutual fund intimidating, and designing an investment portfolio to be one more thing for which they have neither the time nor the expertise.

This is nothing to be embarrassed about. Investing can be confusing.

If you are not comfortable handling your own investments, the good news is there are thousands of financial services professionals who can help with financial and investment decisions. Unfortunately, finding the right investment services provider may seem almost as confusing, intimidating, and time-consuming as choosing the right investments.

This brochure will help you cut through the confusion. It covers those financial services providers—investment advisers, brokers, and financial planners—who provide assistance with securities investments (such as stocks, bonds, and mutual funds) as part of their services. Our goal is to provide some basic information you can use to find an investment services provider who is right for you—one who offers the services you want on terms you understand and accept.

What Services Do You Want?

The search for the right investment services provider starts with the answer to a seemingly simple question—what services are you looking for? Investment services fall into three broad categories:

- Assistance with buying and selling securities
- Ongoing management of investments
- Financial planning

These services are related. Some firms offer all three under one roof, while others specialize in just one or two.

TIP ► Defining what services you want will help you decide which investment services provider is right for you.

So, how do you know what is right for you?





What Types of Providers Offer Assistance with Investments?

Investment services providers fall into three categories:

- Investment advisers
- Brokers
- Financial planners

Investment Advisers

The term **investment adviser** describes a broad range of companies and people in the business of giving advice about securities (the term “securities” includes stocks, bonds, mutual funds, and variable annuities). In addition to investment adviser, they may use other titles such as *investment manager*, *wealth adviser*, *investment counsel*, *asset manager*, *wealth manager*, or *portfolio manager*.

Investment Advisers offer advice about investing in securities and may provide ongoing oversight and management of your portfolio of securities.

Investment advisers typically provide ongoing management of investments based on the client’s objectives, often with the client giving the adviser authority to make investment decisions without having to get prior approval from the client for each transaction (called *discretionary authority*).

Brokers

The terms **broker** and **broker-dealer** refer to companies in the business of buying and selling securities (called trading) on behalf of customers. Individual salespeople employed by brokerage firms are *registered representatives* of the brokerage firm. But these individuals also use many other titles, including: *stockbroker*, *financial consultant*, *financial advisor*, *wealth manager*, and *investment consultant*. Some brokerage firms may, in addition to buying and selling securities, also offer a range of investment planning services.

Brokers help you buy and sell securities and may provide recommendations about your investments.

Financial Planners

The term **financial planner** generally refers to providers who develop and may also implement comprehensive financial plans for customers based on their long-term goals. A comprehensive financial plan typically covers topics such as estate planning, tax planning, insurance needs, and debt management, in addition to more investment-oriented areas, such as retirement and college planning.

Financial Planners look at your entire financial picture—including insurance, taxes, estate planning, as well as investments—and may develop a long-term, comprehensive financial plan.



TIP ► Make sure your broker or investment adviser is properly registered and licensed by either state or federal regulators.

For background on investment advisers, contact your state securities regulator (contact information can be found at www.nasaa.org) or visit: www.adviserinfo.sec.gov.

Background information for brokers is available from your state securities regulator or online at: <http://brokercheck.finra.org>.

What are the Differences in Investor Protection?

Investment services providers not only offer different types of services and charge for them differently, they also are subject to different federal and state regulatory requirements and have different legal obligations to their customers.

Important distinctions—including whether the provider has a clear obligation to act in your best interests or disclose conflicts of interest—depend on which legal category the provider falls into.

Federal securities laws recognize two types of providers—**investment advisers**, who are in the business of giving advice about securities, and **brokers**, who are in the business of buying and selling securities on behalf of customers.

Investment advisers are fiduciaries. This means that they are required by law to put your interests ahead of theirs at all times by providing advice and recommending investments that they view as being the best for you.

- Investment advisers also are required to provide up-front disclosures about their qualifications, what services they provide, how they are compensated, possible conflicts of interest, ownership and affiliations, and whether they have any record of disciplinary actions against them.
- Investment advisers are regulated directly either by the U.S. Securities and Exchange Commission (SEC) or by state securities regulators primarily based on the amount of assets they manage.

Brokers are generally not considered to have a fiduciary duty to customers, although this standard may apply in certain circumstances. Instead, brokers are required to know your financial situation well enough to understand your financial needs, and recommend investments that are suitable for you based on that knowledge.

- Brokers are not required to give the same up-front disclosure about conflicts of interest and ownership as provided by investment advisers.
- In addition to being regulated directly by the SEC and by state securities regulators, brokers are subject to regulation by the Financial Industry Regulatory Authority (FINRA), a self-regulatory organization.

Financial planners are not separately regulated as planners. Instead, their regulation and the level of responsibility they owe customers depend on the services they provide.

- Financial planners providing investment advice must be registered or licensed as investment advisers and are subject to a fiduciary duty. Those who sell products must be registered or licensed representatives of brokers.
- Some financial planners perform other activities that do not involve securities and are not regulated under laws governing either investment advisers or brokers.

TIP ► Ask which licenses and titles the person you are dealing with has and make sure you independently verify what they mean and how they are awarded. For help, visit: www.finra.org/designations.



How Do You Pay for These Services?

Another factor that may affect your choice of investment services provider is how you prefer to pay for services. Your options fall into three basic categories:

- Percentage of Assets Under Management
- Commissions
- Fees

Providers may rely on only one compensation method, combine the different compensation methods within an account, or offer different compensation options to different clients.

Percentage of Assets Under Management

Some investment services providers, including most investment advisers, charge a fee based on a percentage of the assets in the client's account. The percentages charged can vary significantly from provider to provider. Also, providers often charge lower percentage rates for larger accounts.

Commissions

Some providers, including many brokers, receive their compensation based on commissions clients pay each time they buy or sell a security. This may be the most affordable option for those who trade rarely. On the other hand, it could create an incentive for some providers to recommend frequent trades or particular investment products that provide an additional financial benefit to the salesperson.

Fees

Some providers, including many financial planners, charge fees for their services that clients pay directly to the provider. They may be hourly fees, a flat fee, or a retainer fee for a particular service or range of services.

TIP ► Determine which method of compensation offers you the lowest total costs and which best aligns your interests with those of your investment services provider.



Investor Checklist

The key to finding the right investment services provider for you is to ask the right questions—both of yourself and of prospective providers. Remember, there are no foolish questions. Any reputable provider should be happy to discuss these issues with you and answer any questions you may have.

Questions to Ask Yourself Before You Invest

- ☐ Do I need help developing strategies to reach my financial goals or do I simply want suggestions on appropriate investment products to implement my goals?
- ☐ Do I want assistance with a few specific areas, or do I need a comprehensive plan for my finances?
- ☐ Do I already have a portfolio of investments that I need help managing?
- ☐ How involved do I want to be in decisions about my specific investments?
- ☐ Would I prefer paying for investment services through a fee, commissions, a percentage of assets in my account, or a combination of these?
- ☐ Would I prefer working with someone who is primarily considered a broker, an adviser, or a combination of the two?
- ☐ How important is it to me that my provider has a legal obligation to act in my best interests and disclose potential conflicts of interest?

Questions to Ask Your Investment Services Provider

- ☐ What products and/or services do you offer? Are these offerings limited to certain types of products or only proprietary products?
- ☐ What qualifications and experience do you have to offer those products and services?
- ☐ How do you charge for those services? Do you receive compensation from other sources if you recommend that I buy a particular investment product?
- ☐ Will you break out all fees and commissions?
- ☐ Would my account be an advisory account or a brokerage account?
- ☐ Are you required by law to always act in my best interests? Will you put that commitment in writing?
- ☐ What potential conflicts of interest do you have when recommending investment products to me, and will you disclose those conflicts?
- ☐ Will you provide me with a written record of any disciplinary history for you and your firm?
- ☐ Will you give me your regulatory disclosure statements—Form ADV, which must be filed by investment advisers and/or Form U4, filed by brokers?

This brochure was produced by organizations representing state securities regulators and the investment adviser and financial planning community.



The **North American Securities Administrators Association**, organized in 1919, is the oldest international organization devoted to investor protection. NASAA members include state, provincial, and territorial securities administrators in the United States, Canada, and Mexico. www.nasaa.org

The **Investment Adviser Association** is a non-profit organization that represents federally registered investment advisory firms. Founded in 1937, the IAA's membership consists of more than 550 companies that provide investment advice to a wide variety of individual and institutional clients. www.investmentadviser.org

The **Financial Planning Coalition** is comprised of Certified Financial Planner Board of Standards (CFP Board), the Financial Planning Association® (FPA®), and the National Association of Personal Financial Advisors (NAPFA), which are independent organizations that promote high ethical standards and modes of conduct among their respective stakeholders while also providing outreach to consumers in a variety of methods. www.financialplanningcoalition.com

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