



What you should know about...

FINANCIAL ADVISERS



Investor Protection Institute

An investor education and protection program from the Investor Protection Institute

When you want to invest money, **good advisers can be great assets.** But it can be challenging to find **trained, trusted professionals** who are **affordable** and **knowledgeable** about the investment products you seek.

Financial advisers have varied credentials, education, and skills to manage investments. Before you hand over any money, decide **who to use** and **what they should do** for you.

Make it a good fit.

Remember...the adviser works for you.

It's easy to open an account, but that doesn't guarantee investment help or personal advice. Before you commit:



1.3
Many advisers want your business.

1.3 million former and current registered advisers.

1 Decide investment services you need. Professionals specialize.

2 Determine your goals for investing. You may have several.

3 Analyze your risk tolerance. Are you cautious... risky...or in between?

4 Think about your time horizon. Short-term or long term?

RIA CIC CSA
Certifications and credentials? It's a confusing alphabet soup. Regulators look for accreditations.

Which Professional Should You Use?

CSA

CRC

CIMA

CFA

CFP

Broker-Dealer Agent or Stockbroker, Broker

- Sells investments, securities
- Makes specific recommendations
- Licensed to do product transactions
- Charges a commission, fee to buy/sell
- "Suitability duty"—investments an agent suggests must be compatible with client's age, goals, and risk tolerance

Brokers and investment advisers must be licensed or registered. You can check both the adviser and the firm employing them. Smaller firms are licensed by the states.

Investment Adviser or Asset Manager, Portfolio Manager

- Gives client overall, continuing advice
- Manages assets, helps build a portfolio
- "Fiduciary duty"—must put the client's interest first when giving advice
- Charges a flat fee or an asset-based fee

CLU CRFA CPA

CFP

or Certified Financial Planner

- Designs a plan for client
- Annual checkup, continuing advice
- "Fiduciary duty"—must put client's interests first when advising
- Must be licensed to recommend investments or sell the products they recommend to clients
- Fee-based (gets commission on investments sold) or fee-only (paid annually or per hour) or takes a percent of assets managed

Check a broker's background at the Central Registration Depository (CRD), a national database maintained by state securities regulators and the Financial Industry Regulatory Authority (FINRA). NASAA.org or BrokerCheck.finra.org

Investment advisers and firms managing \$100+ million register with the U.S. Securities and Exchange Commission. Find smaller firms, investment advisers, representatives, and financial planners at AdviserInfo.Sec.gov.

Brokerage firms are legally required to tell you if they are NOT members of the Securities Investor Protection Corp, SIPC.org.

Check a Certified Financial Planner through the CFP Board's database at CFP.net. Remember, not all financial planners earn the CFP designation.

You may also want an attorney and/or Certified Public Accountant (CPA) on your financial advising team.

MYTH:

When you hire a financial adviser, you don't need to know the details of an investment.

17
Billion

MYTH:

You won't need a financial adviser until you are wealthy.

The financial industry spends \$17 billion/year on general marketing to consumers*

*Consumer Financial Protection Bureau data