Financial Service Providers

Whether you are just starting a retirement fund or need additional help with growing and managing your money, you may benefit from selecting an investment services professional. Finding a person who is knowledgeable, affordable, and trustworthy may be a challenging process. This advisory provides basic information on three types of financial services professionals and their obligations to you as a client: ***broker-dealer agents****,* ***investment adviser representatives****, and* ***financial planners****. An individual professional can hold any of these three credentials or titles, among others.*

Broker-Dealer Agents

Broker-dealer agents sell securities and other investment products.

Generally, the term broker-dealer refers to a firm rather than an individual; an individual in a firm is known as a broker-dealer agent.

A broker-dealer agent may be informally referred to as any of the following, among others: *broker, stockbroker, financial consultant, financial adviser, investment consultant, salesperson*, or *registered representative*.

Brokers are typically compensated by transaction-based commissions—that is, the client pays a fee every time the broker buys or sells securities on the client's behalf. Brokers are obligated to make sure the securities they recommend are suitable for clients based upon factors such as the client's risk tolerance, age, and investment goals.

It is possible that brokers may recommend investments that appear suitable but may not be optimal for investors' objectives. Because of the manner in which they are compensated, it is possible for brokers to have incentives to sell financial products that may not entirely align with clients' goals.

Investment Adviser Representatives

Investment adviser representatives give advice about securities and other investment products and provide ongoing management of investments based on clients' objectives.

Generally, the term investment adviser refers to a firm rather than an individual; an individual in a firm is known as an investment adviser representative.

In some instances, an investment adviser is operated by only one person and, in this case, the individual is both the investment adviser and the investment adviser representative. With the distinction sometimes difficult to discern, investment adviser representatives are often commonly referred to as investment advisers.

Investment advisers may be referred to by a variety of titles, among others: *investment manager, investment counsel, asset manager, wealth manager,* or *portfolio manager*.

Clients may grant their advisers discretionary authority to make decisions about investments without prior approval. Investment advisers have a fiduciary responsibility to put clients' interests ahead of their own when providing investment advice. Because investment advisers give

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To learn more, contact:
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The Office of the Indiana Secretary of State
Securities Division

continuous comprehensive investment advice, they are considered to be acting in a fiduciary role; by contrast a broker who serves clients on a transactional basis is not considered to be a fiduciary.

Investment advisers typically charge a flat rate or an asset-based fee. The compensation structure must be disclosed to the client.

Financial Planners

Financial planners design an overall plan for their clients to save, invest, and manage their money.

Planners who provide specific investment advice—such as recommending particular financial products or investments—must be registered or licensed as investment adviser representatives and are subject to a fiduciary duty.

The fee structures charged by financial planners vary greatly and are dependent on whether they are licensed or registered. Financial planners may charge hourly, flat, or asset-based fees, or they could earn commissions based upon the purchase of recommended products.

Checking out your potential financial services provider

Whether you choose a broker, investment adviser, or financial planner, make sure you verify the person's registration or license, background, and employment history by contacting your state or provincial securities regulator.

Every broker and investment adviser must be properly registered or licensed. Each is assigned a unique identification number by the Central Registration Depository (CRD), a nationwide database jointly maintained by state securities regulators and the Financial Industry Regulatory Authority (FINRA). This CRD number corresponds to the associated individual's information, including employment history, certifications, licenses, registrations, and disciplinary actions.

Background information is available through the Office of the Secretary of the State Connie Lawson, Securities Division. In addition, you may obtain information regarding a broker or investment adviser through FINRA's BrokerCheck database, available at *www.finra.org/investors/toolscalculators/brokercheck* or through the SEC's Investment Adviser Public Disclosure website, *www.adviser.info.sec.gov*.

Financial planners may be certified by the Certified Financial Planner Board of Standards, Inc. (CFP Board). A certified financial planner's background can be checked through a database maintained by the CFP Board available at *www.cfp.net*.

Questions to ask:

- What services do you offer?
- What licenses, registrations, qualifications, and experience do you have to offer these services?
- Are you a broker, investment adviser, financial planner or any combination thereof?
- Can you provide me with your CRD number, and, if not, why not?
- Are you required to always act in my best interest?
- Do you have any potential conflicts of interest when providing me with investment advice?
- How are you paid? Explain commissions or fees you may charge.

These questions are not exhaustive, and the answers will likely raise additional questions you will want answered before you decide to entrust the professional with your money. You may want to ask for the answers in writing. Be suspicious if your investment services provider:

- Refuses to provide you with his or her CRD number.
- Cannot explain to you how a proposed financial product is intended to make money.
- Suggests that you take out a mortgage or reverse mortgage on your home in order to invest.
- Recommends that you cash out current holdings (such as life insurance or retirement accounts) to fund other investments.
- Ignores your financial objectives.
- Pressures you to invest today or tells you to keep the investment secret.