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
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.

Background information is available through 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/tools/calculators/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.