

Working with Financial Professionals

Understand Their Roles • Check Their Qualifications • Find One That's Right For You



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SECURITIES DIVISION

*Regulating securities activity statewide and protecting against
investment fraud and promoting financial literacy.*

The term *financial professional* generally describes a person who provides some form of financial services and works independently or for a firm.

This short guide focuses on three categories of financial professionals who service investors and are registered with regulators or are members of a self-regulatory association.

1. INVESTMENT ADVISERS

2. STOCKBROKERS (SALES REPRESENTATIVES)

3. FINANCIAL PLANNERS

These three types of professionals take exams and are certified by organizations that establish requirements for obtaining and keeping the certification or license.

While you may already work with an accountant who provides advice on taxes and an attorney to handle your estate planning, you may use an investment adviser to provide individualized investment advice, a broker to buy or sell investment products, and a financial planner to design a plan to fund your education and retirement goals. In some cases, one individual may be qualified to provide you with all of these services. Let's examine the different types of professionals and the tools available to verify their certifications and licenses.

GETTING STARTED

Step 1: Determine the kind of help you need. Services you are looking for may include:

- Providing investment advice and money management of your portfolio
- Buying and selling investments for your portfolio
- General financial planning regarding managing your assets, funding retirement or education, and future financial needs

Step 2: Identify the type of professional best qualified to help you:

- Investment Adviser—more formally, an Investment Adviser Representative (IAR), who may also have a Certified Financial Planner (CFP) designation
- Stockbroker—known as a registered representative or salesperson
- Financial Planner—helps you create a comprehensive financial plan, usually certified by an association, and may also be registered

To select the type of professional that will best suit your needs, it helps to know some details about how they work and their qualifications.

Don't Rely on Titles Alone

There are many titles and designations that practitioners may use to claim expertise. Some are valuable, but others mean little or nothing at all. Do not rely on a designation, a certification or an A+ or 5-star rating. Instead, check whether the company and the individual are registered with securities regulators, including your state securities regulator, the SEC, and FINRA.

Where to Check Out Advisers

- Visit **BrokerCheck.org** to verify the registration and disciplinary history of brokerage firms and their representatives.
- To find information about Investment Advisers and IARs, including copies of ADV forms, visit **adviserinfo.sec.gov**.
- For detailed investment adviser information, and any disciplinary actions, the site will direct you to the **Investment Adviser Public Disclosure (IAPD)** database.



INVESTMENT ADVISORS

Investment Adviser Representatives (IARs) work for Investment Adviser firms and provide tailored investment advice about securities and investing strategies. IARs must pass qualifying examinations and register with state securities regulators (unless a legal exemption applies).

All registered investment advisory firms and representatives must file a standard document called **Form ADV** which provides information about the firm and its operations. These forms are filed with regulators and a copy of key information must be provided to their clients annually. You should take time to read the documentation and look for important details such as:

- The services the firm provides
- Its fees and other costs
- Any potential conflicts of interest
- A disciplinary history of the firm and its employees

Terms May Vary

Note that “**advisor**” and “**adviser**” are used interchangeably. Some state securities departments use one spelling, and some use the other. Similarly, these professionals may sometimes be referred to as “**registered**” while other states prefer the term “**licensed**.”

INVESTMENT ADVISER FIDUCIARY DUTY TO CLIENTS

Investment Advisers have a fiduciary duty to act in your best interest. Chief among their obligations is that the adviser must avoid any conflict of interest in which his or her benefit would take precedence over yours. In addition to any obvious violation of that duty, an adviser is prohibited from taking advantage of your trust or providing any advice that is compromised in any way.

INVESTMENT ADVISER SERVICES PROVIDED TO CLIENTS

In addition to providing assistance in opening an account and selecting investment products that may help you attain your investment goals, Investment Advisers may provide services such as ongoing asset management which can be helpful, for example, if your financial situation changes and you need to sell securities to have cash on hand. They may manage your investment portfolio, provide financial planning, advise on education and retirement planning, and generally discuss taxes, insurance and estate planning.

Some Investment Advisers are also registered as securities salespersons or representatives. In addition to investment advice, they may buy or sell investments on your behalf.

The Investment Adviser may also outsource buying and selling to a broker-dealer or investment company where you have opened an account.

INVESTMENT ADVISER FEES

Compensation for investment advisory services is generally fee based, either as a percentage of your assets that the firm manages, on an hourly basis, or sometimes as a retainer. Commonly, a fee-based adviser may charge around 1%—though sometimes a bit more or less—of your total assets. However, if your investment adviser is a Robo-adviser, a technology-based service that uses an algorithm rather than human input, you may be charged a recurring monthly subscription fee.

INVESTMENT PROFESSIONALS AND TITLES

Firms that offer financial services have the option to assign various titles to their representatives. Here are a few examples of titles that you may encounter:

- Investment Adviser representatives:
Financial Adviser, Wealth Adviser, Investment Adviser
- Brokerage firm representatives:
Financial Consultant, Relationship Manager, Financial Counselor, Wealth Manager

Looking Into Designations

Financial designations are meant to indicate the education, training, and any special qualifications that financial professionals possess. There are over 200 different designations, usually indicated by two or three letters following the individual's name. A database of these designations is available at **[FINRA.org/investors/professional-designations](https://www.finra.org/investors/professional-designations)**.

Not all designations carry the same weight. For example, the CFP, CFA and ChFC certifications require rigorous examination and allow you to file complaints and check if a member has been disciplined. In contrast, many other designations can be obtained easily and do not have ongoing oversight.

BROKERAGE FIRMS & REGISTERED REPRESENTATIVES

Stockbrokers—brokers for short—are individuals who are agents or registered representatives of a broker-dealer firm. They must be registered with both the SEC and the state or states where they operate. They must also be a member of **FINRA**, the self-regulatory organization (SRO) of the broker-dealer industry.

BROKER-DEALER DEFINED

A broker-dealer is a firm whose associated individuals buy and sell securities. You may open an account online or at one of the firm's offices. You can select for yourself the stocks, mutual funds, ETFs or other securities that you wish to purchase, or you may rely on your salesperson to make recommendations and buy or sell for you.

Most brokerage firm representatives, while technically salespeople, use titles such as "financial consultant" or "relationship manager." If you intend to receive fiduciary advice from your representative, you should ask if he or she is registered and acting as your Investment Adviser.

BROKERAGE SERVICES PROVIDED TO CLIENTS

Brokerage firms generally provide an array of financial services, which may include buying and selling securities, investment advice, and financial planning. Most firms allow you to work with a representative of the firm, or simply open an account online and handle your own investments. Some firms also provide the option of working with a virtual or Robo-adviser.

To recommend buying or selling specific investments or make other investment decisions, your broker must believe, based on what he or she knows about you, that the investment is suitable for you. The same rule applies to advice a broker gives you about moving one type of account to another, such as shifting assets in a 401(k) to an IRA

or exchanging one variable annuity contract for a different contract, as well about adopting a particular investment strategy.

Be sure to answer your broker's questions about your assets, liabilities and risk tolerance so that the broker's recommendation are tailored to your individual situation. Among the specific things a broker needs to know to make a recommendation are your income and overall financial situation, your investment objectives, and the investments you already own. The broker must also take into account the risks and potential return on investments he or she recommends as well as investment alternatives.

Brokerage Fees

Brokers are typically, though not always, paid by commission for each purchase or sale. Some relationships are fee-based, calculated as a percentage of your portfolio. One issue with commissions is that they can be an incentive to sell a particular product, especially ones that provide higher commissions, over another. Commission-based sales can also be perceived as a conflict of interest if there's evidence of excessive trading to generate more commissions. Check brokerage firm websites or ask your potential broker for a list of the various fees that you may be charged. Some common fees include annual maintenance, transfer of funds, and a low balance fee.

FINANCIAL PLANNERS

Unlike a registered investment adviser and a registered representative, a financial planner is not defined in securities law. But these professionals, who advise clients on managing their finances, typically stress the importance of investing as the way to achieve long-term financial goals.



FINANCIAL PLANS

An essential part of a financial planner's role is developing, with your input, a plan to help you progress from your current financial situation to where you want to be in 10, 20, or more years.

A financial plan typically covers a range of topics including your need for insurance and planning for specific goals, including education, retirement, and managing taxes, as well as an estate plan. The plan may also cover managing cash flow, getting out of debt, or meeting shorter-term goals, such as buying a home.

Planners may help you implement some steps in your financial plan, including offering you insurance policies or fixed annuities. They may also connect you with professionals who have the credentials required to handle specific details of your plan, including brokers, tax or estate attorneys, accountants, or others.

Fees

Your relationship with a financial planner, including compensation, is typically laid out in a contract. Charges may be hourly, fee-only, commission-only, or fee plus commission.



When a planner's fee includes commissions, you may wonder about a potential conflict of interest. In that case it's worth it to compare the cost and details of products he or she recommends with comparable products from other sources.

Checking Financial Planner Credentials

While financial planners aren't required to be licensed or registered, they often pursue certification with a recognized credential, such as Certified Financial Planner (CFP) from the Certified Financial Planner Board of Standards or Chartered Financial Consultant (ChFC) from The American College of Financial Services. Others complete advanced academic degrees in Financial Planning. But unless they are registered with the securities regulators, they may not provide investment advice.

Once you've determined the type of financial professional you want to work with, be sure to check out credentials, services offered, and associated fees. If for any reason you need to file a complaint about the professional, contact your state securities regulator for assistance. **You can find their contact information at [NASAA.org](https://www.nasaa.org).**



Georgia Secretary of State
Securities Division

2 MLK Jr Dr SE Ste 317, West Tower | Atlanta, Georgia 30334 | (470) 312-2640
sos.ga.gov/securities-division-georgia-secretary-states-office



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