

Investment Advisor FAQs

1. What is an Investment Advisor?

Investment Advisors are in the business of giving advice about securities to clients. For instance, individuals who receive compensation for giving advice to a specific person on investing in stocks, bonds, or mutual funds, are Investment Advisors. Some Investment Advisors manage portfolios of securities.

2. What is the difference between an Investment Advisor and a Financial Planner?

Most Financial Planners are Investment Advisors, but not all Investment Advisors are Financial Planners. Some Financial Planners assess every aspect of your financial life--including saving, investments, insurance, taxes, retirement, and estate planning--and help you develop a detailed strategy or financial plan for meeting all your financial goals.

Others call themselves Financial Planners, but they may only be able to recommend that you invest in a narrow range of products, and sometimes products that aren't securities. Before you hire any financial professional, you should know exactly what services you need, what services the professional can deliver, any limitations on what they can recommend, what services you're paying for, how much those services cost, and how the adviser or planner gets paid.

3. Why Use an Investment Advisor?

There are many reasons for utilizing a professional firm to assist you in managing your investments or retirement funds. Over the years we have found that the reasons our clients have utilized our services include:

- **Potential Personal Risk:** Experience and skill should be foundation for managing the funds an individual will rely on for their future security. Our clients look to us for assistance rather than risk their future on their own endeavors alone.
- **Lack Of Personal Time:** Properly managing an investment program takes time and experience that most people do not have or do not wish to commit.
- **Lack Of Information:** Although the Internet and Financial programs like CNBC have made information about companies much more available, the real information upon which investment decisions should be based must still be obtained through direct contact with companies, extensive research, and skilled analysis. Once news about a company has reached CNBC or the Internet it is usually old news among experienced investment analysts.
- **Proven Track Record:** We find that many of our clients select our services because of our performance record over time. Although past history is no guarantee of future returns, joining an established, proven investment program adds a degree of confidence going forward.
- **Personal Financial Services:** Since we maintain a close, personal relationship with our clients, we are often asked for advice on a broad range of financial matters. We can help a client in the overall coordination of their retirement and investment planning and management.
- **Leveraging Upon Expertise:** Our organization and our research department, includes extensive experience and expertise built upon a variety of business backgrounds and disciplines. In effect, our clients are leveraging their investing efforts on our overall skill and experience by entrusting us with the management of their investments.

4. What questions should I ask when choosing an Investment Advisor or Financial Planner?

Here are some of the questions you should always ask when hiring any financial professional:

- What experience do you have, especially with people in my circumstances?
- Where did you go to school? What is your recent employment history?
- What licenses do you hold? Are you registered with the SEC, a state, or the NASD?
- What products and services do you offer?
- Can you only recommend a limited number of products or services to me? If so, why?
- How are you paid for your services? What is your usual hourly rate, flat fee, or commission?
- Have you ever been disciplined by any government regulator for unethical or improper conduct or been sued by a client who was not happy with the work you did?

In the case of a registered Investment Advisors, also ask for a copy of both parts of the Advisor's Form ADV.

Be sure to meet potential advisers "face to face" to make sure you get along. And remember: there are many types of individuals who can help you develop a personal financial plan and manage your hard-earned money. The most important thing is that you know your financial goals, have a plan in place, and check out the professional you chose with your securities regulator.

5. How do Investment Advisors get paid?

Before you hire any financial professional--whether it's a stockbroker, a Financial Planner, or an Investment Advisor--you should always find out and make sure you understand how that person gets paid. Investment Advisors generally are paid in any of the following ways:

- A percentage of the value of the assets they manage for you
- An hourly fee for the time they spend working for you
- A fixed fee
- A commission on the securities they sell
- Some combination of the above.

Each compensation method has potential benefits and possible drawbacks, depending on your individual needs. Ask the Investment Advisors you interview to explain the differences to you before you do business with them, and get several opinions before making your decision.

6. Do Investment Advisors have to register with the U.S. Securities and Exchange Commission?

Depending on their size, Investment Advisors have to register with either the SEC or the state securities agency where they have their principal place of business. For the most part, Investment Advisors who manage \$25 million or more in client assets must register with the SEC. If they manage less than \$25 million, they must register with the state securities agency in the state where they have their principal place of business.

7. How do I find out whether an Investment Advisor ever had problems with a government regulator or has a disciplinary history?

Most Investment Advisors must fill out a form called "Form ADV." They must file their ADVs with either the SEC or the state securities agency in the state where they have their principal place of business, depending on the amount of assets they manage.

The ADV consists of two parts. Part I contains information about the adviser's education, business, and whether they've had problems with regulators or clients. Part II outlines the adviser's services, fees, and strategies. Before you hire someone to be your Investment Advisor, always ask for, and carefully read, both parts of the ADV. If an Investment Advisor won't give you Part I of the ADV, don't do business with them.

You can get copies of Form ADVs from the Investment Advisor, your state securities regulator, or the SEC, depending on the size of the adviser. You can find out how to get in touch with your state securities regulator through the North American Securities Administrators Association, Inc.'s Web site or by calling (202) 737-0900. Ask your state securities regulator whether they've had any complaints about the adviser, and ask them to check the CRD.

If the SEC registers the Investment Advisor, you can get the Form ADV at a cost of 24 cents per page (plus tax and postage) from the SEC at:

Office of Public Reference
450 5th Street, NW, Room 1300
Washington, D.C. 20549-0102
phone: (202) 942-8090
fax: (202) 628-9001
e-mail: publicinfo@sec.gov

8. What should I do if the financial professional claims that he or she is a CERTIFIED FINANCIAL PLANNER™?

If the professional you're considering claims to be a CERTIFIED FINANCIAL PLANNER™ or CFP® practitioner, you should also visit the website of the Certified Financial Planner Board of Standards to see if the professional is licensed as a CFP® practitioner and whether the professional's license has been suspended or revoked by the Board. You can also call the Board at (888) 237-6275 to obtain other disciplinary information about the professional.

9. Are Investment Advisors required to have credentials?

Investment Advisors and Financial Planners are not required to obtain professional credentials by federal or state laws. Unlike federally registered advisers, many states do require their advisers and representatives to pass a proficiency exam or meet other requirements.

Investment Advisors and Financial Planners may come from many different educational and professional backgrounds. Before you hire a financial professional, be sure to ask about their background. If they have a credential, ask them what it means and what they had to do to earn it.

Also find out what organization issued the credential, and then contact the organization to verify whether the professional you're considering did, in fact, earn the credential and whether the professional remains in good standing with the organization. You can find out the different types of testing and other requirements on the website of the North American Securities Administrators Association.