



# SEC

OFFICE of INVESTOR  
EDUCATION and ADVOCACY

## Investor Bulletin: Top Tips for Selecting a Financial Professional

Choosing a financial professional—whether a stockbroker, a financial planner, or an investment adviser—is an important decision. Consider the tips below as you make your choice. Also the third page of this document has a list of questions you can ask a financial professional whose services you are considering.

### Tip 1. Do your homework and ask questions.

A lot of the information you'll need to make a choice will be in the documents the financial professional can provide you about opening an account or starting a relationship. You should read them carefully. If you don't understand something, ask questions until you do. It's your money and you should feel comfortable asking about it.

### Tip 2. Find out whether the products and services available are right for you.

Financial professionals offer a range of financial and investment services such as:

- Financial planning
- Ongoing money management

- Advice on choosing securities
- Tax and retirement planning
- Insurance advice

Just like a grocery store offers more products than a convenience store, some financial professionals offer a wide range of products or services, while others offer a more limited selection. Think about what you might need, and ask about what would be available to you. For example, do you want or need:

- Access to a broad range of securities, such as stocks, options and bonds, or will you mostly want a few types such as mutual funds, exchange traded funds, or insurance products?
- A one-time review or financial plan?
- To do your own research, but use the financial professional to make your trades or to provide a second opinion occasionally?
- A recommendation each time you think about changing or making an investment?
- Ongoing investment management, with the financial professional getting your permission before any purchase or sale is made?
- Ongoing investment management, where the financial professional decides what purchases or sales are made, and you are told about it afterwards?

### Tip 3. Understand how you'll pay for services and products, and how your financial professional gets paid as well.

Many firms offer more than one type of account. You may be able to pay for services differently depending on the type of account you choose. For example, you might pay:

- An hourly fee for advisory services;
- A flat fee, such as \$500 per year, for an annual portfolio review or \$2,000 for a financial plan;
- A commission on the securities bought or sold, such as \$12 per trade;
- A fee (sometimes called a “load”) based on the amount you invest in a mutual fund or variable annuity
- A “mark-up” when you buy “house” products (such as bonds that the broker holds in inventory), or a “mark-down” when you sell them

Depending on what services you want, one type of account may cost you less than another. Ask about what alternatives make sense for you.

And remember: even if you don't pay the financial professional directly, such as through an annual fee, that person is still getting paid. For example, someone else may be paying the financial professional for selling specific products. However, those payments may be built into the costs you ultimately pay, such as the expenses associated with buying or holding a financial product.

While some of these fees may seem small, it is important to keep in mind that they can add up, and in the end take away from the profits you otherwise could be making from your investments.

### Tip 4. Ask about the financial professional's experience and credentials.

Financial professionals hold different licenses. For example, financial professionals who are broker-dealers must take an exam to hold a license, while

state regulators often require investment advisers to hold certain licenses. Financial professionals also have a wide range of educational and professional backgrounds. They may also have certain designations after their names, which are titles given by industry groups that themselves are not regulated or subject to standards other than their own. If a financial professional has an industry designation, like “CFA,” you can look up what it stands for at the “Understanding Investment Professional Designations” page on FINRA's website at [www.finra.org](http://www.finra.org). Don't accept a professional designation as a badge of knowledge without knowing what it means.

### Tip 5. Ask the financial professional if he or she has had a disciplinary history with a government regulator or had customer complaints.

Even if a close friend or relative has recommended a financial professional, you should check the person's background for signs of any potential problems, such as a disciplinary history by a regulator or customer complaints. The SEC, FINRA, and state securities regulators keep records on the disciplinary history of many of the financial professionals they regulate.

Check the background of your financial professional to learn more or to help confirm what he or she has told you:

- For financial professionals who are brokers: you can find background information on the person and his/her firm at FINRA's [BrokerCheck website](http://www.finra.org/brokercheck).
- For financial professionals who are investment advisers registered with the SEC: you can find background information on the person and his/her firm at the SEC's [Investment Adviser Public Disclosure database](http://www.sec.gov/investor/adviserpublicdisclosure).
- State securities regulators also have background information on brokers as well as certain investment advisers. You can find your state regulator at [www.nasaa.org](http://www.nasaa.org).

## Investor Checklist

### Some Key Questions for Hiring a Financial Professional

#### Expectations of the Relationship

- ✓ How often should I expect to hear from you?
- ✓ How often will you review my account or make recommendations to me?
- ✓ If my investments aren't doing well, will you call me and recommend something else?
- ✓ If I invest with you, how can I keep track of how well my investments are doing?

#### Experience and Background

- ✓ What experience do you have, especially with people like me? What percentage of your time would you estimate that you spend on people with situations and goals that are similar to mine?
- ✓ What education have you had that relates to your work?
- ✓ What professional licenses do you hold?
- ✓ Are you registered with the SEC, a state securities regulator, or FINRA?
- ✓ How long have you done this type of work?
- ✓ Have you ever been disciplined by a regulator? If yes, what was the problem and how was it resolved?
- ✓ Have you had customer complaints? If yes, how many, what were they about, and how were they resolved?

#### Products

- ✓ What type of products do you offer?
- ✓ How many different products do you offer?
- ✓ Do you offer "house" products? If so, what types of products are they, and do you receive any incentives for selling these products, or for maintaining them in a customer's account? What kind of incentives are they?

#### Payments and Fees

- ✓ Given my situation and what I'm looking for, what is the [best / most cost effective] way for me to pay for financial services? Why?
- ✓ What are the fees that I will pay for products and services?
- ✓ How and when will I see the fees I pay?
- ✓ Which of those fees will I pay directly (such as a commission on a stock trade) and which are taken directly from the products I own (such as some mutual fund expenses)?
- ✓ How do you get paid?
- ✓ If I invested \$1000 with you today, approximately how much would you get paid during the following year, based on my investment?
- ✓ Does someone else (such as a fund company) pay you for offering or selling these products or services?

## Related Information

For additional educational information, see the SEC's website for individual investors, [Investor.gov](http://www.investor.gov). For additional information about selecting a financial professional, see:

SEC Fast Answers: "[Financial Planners](#)," "[Investment Advisers](#)"

SEC Publication: "[Investment Advisers: What You Need to Know Before Choosing One](#)"

SEC Publication: "[Protect Your Money: Check out Brokers and Investment Advisers](#)"

FINRA Publication: "[Selecting Investment Professionals](#)"

National Association of Personal Financial Advisers Publication: "[Pursuit of a Financial Adviser: Field Guide](#)"

You may also be interested in:

FINRA Mutual Fund Fee [Calculator](#)

Information about different types of financial products is available at <http://www.investor.gov/investing-basics/investment-products>.

The Office of Investor Education and Advocacy has provided this information as a service to investors. It is neither a legal interpretation nor a statement of SEC policy. If you have questions concerning the meaning or application of a particular law or rule, please consult with an attorney who specializes in securities law.

