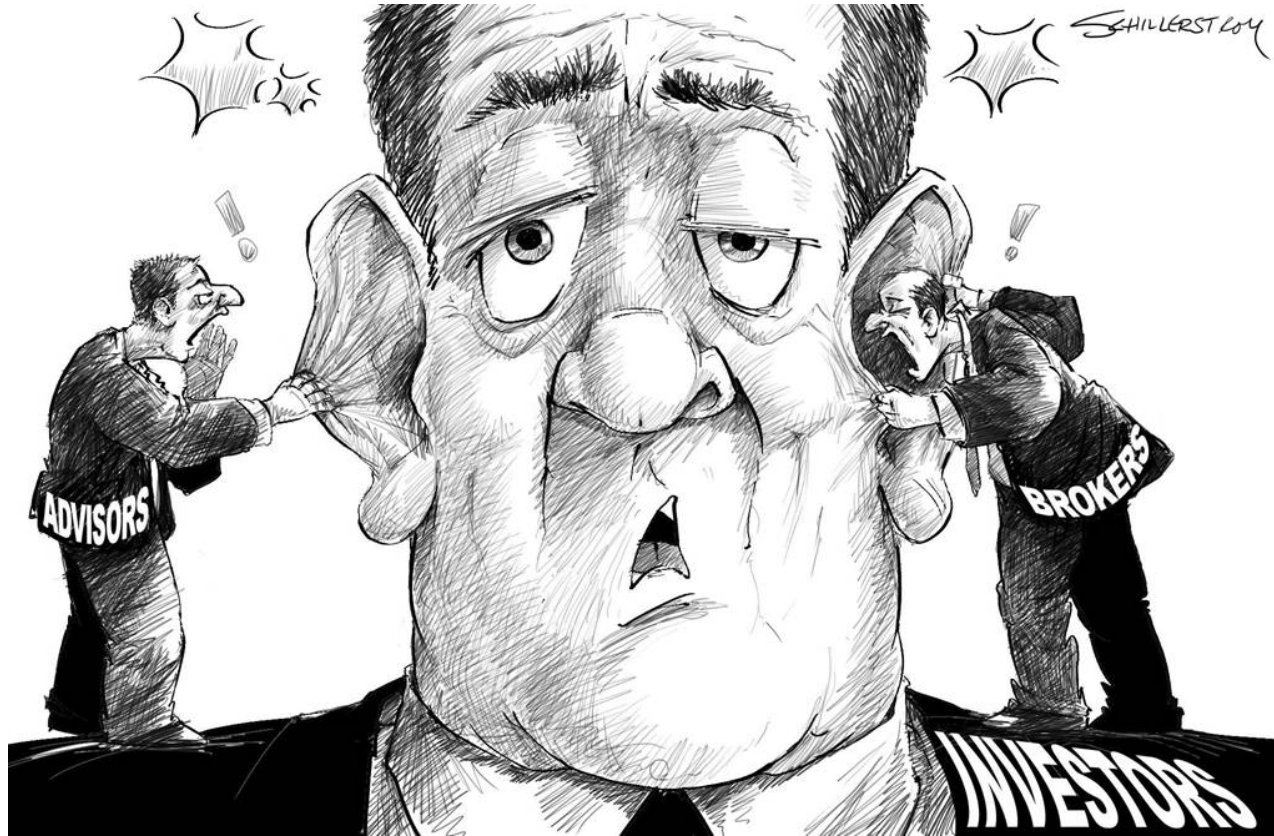


Understanding Financial Advice

Agenda

- Investor Confusion
- Investment Advice: The Different Options
- Registered Investment Advisor vs. Registered Representative
- Which Option Is Right for You?
- Wrap-Up

Investor Confusion



Investor Confusion

Investor Survey*:


When asked whether they believe registered investment advisors (RIAs) or stockbrokers (registered representatives) have a fiduciary responsibility to act in the investor's best interest...

- **74%** were not aware that only RIAs have a fiduciary responsibility to act in investors' best interests in all aspects of the financial relationship

*TD AMERITRADE survey of 1,000+ U.S. investors conducted by Penn, Schoen & Berland Associates, 2006

Investor Confusion

- Customized Advice
 - “...customized investment strategy...”
- Ongoing Guidance
 - “...you’ll be kept apprised of your investment progress...through quarterly portfolio reviews...”
- Personalized Investment Recommendations
 - “...for your personal investment recommendations, and a focus on your long-term goals...”
- Enhanced Transparency
 - “...customer service and transparency...”



“Accounts...are brokerage accounts and not advisory accounts. Our interests may not always be the same as yours. We are paid both by you and, sometimes, by people who compensate us based on what you buy...our profits, and our salespersons’ compensation, may vary by product and over time.”

In the fine print on the back of the envelope, you find the following disclosure:

THIS IS A BROKERAGE SERVICE, NOT AN ADVISORY SERVICE. We are not a broker-dealer and do not give brokerage advice for a fee to make the investment decisions for you. We are not a fiduciary and do not act in your best interest. We are not a financial advisor and do not provide investment recommendations. Our interests may not always be the same as yours. We are paid both by you and, sometimes, by people who compensate us based on what you buy. Therefore, our salespersons’ compensation, may vary by product and over time. For more information, please call us at XXX-XXX-XXXX if you have questions about the differences between a brokerage service and an advisory service.

Investment Advice: The Different Options



**Registered
Investment
Advisor (RIA)**



**Registered
Representative
(stockbroker)**

There are important differences between Independent Registered Investment Advisors and Registered Representatives. Make sure you understand what they are.

Independent RIA

- In the business of giving advice
- Independent: RIA firm typically not owned by another
- Fiduciary: legally required to put clients' interests first (a higher standard than suitability)
- Typically fee-based compensation for advice
- Regulated by the SEC or states (as applicable)

Registered Representative (stockbroker)

- Brokerage firm primarily in the business of buying and selling securities
- Registered Representative typically an employee/contractor of brokerage firm
- Typically compensated by commissions on product transactions
- Held to suitability standards, not fiduciary standards
- Often “look like” an advisor in marketing collateral and Web sites
- Regulated primarily by NASD (but also by SEC and states)

Which Option Is Right for You?

Questions you should ask yourself:

- What am I looking for — assistance with buying/selling securities, investment advice, or both?
- How do I want to pay my financial professional? Fees? Commissions?
- How important is it that my financial professional have a fiduciary responsibility to put my interests first?

Which Option Is Right for You?

Make sure you read the fine print!

After reading the disclosures on a brokerage firm's Web site:

- **79%** of investors said that they would be less likely to go to a brokerage firm for financial advice.

*TD AMERITRADE survey of 1,000+ U.S. investors conducted by Penn, Schoen & Berland Associates, 2006

Wrap-Up

- Too many confusing alternatives
- Understand the different advice options
- Know what you want and need

For more information, visit:

www.fpanet.org or www.consumerfed.org