

### Introduction: Investor Checklist

The key to finding the right investment services provider for you is to ask the right questions—both of yourself and of prospective providers. Remember, there are no foolish questions. Any reputable provider should be happy to discuss these issues with you and answer any questions you may have

Source: [http://www.nasaa.org/wp-content/uploads/2011/08/Cutting-through-the-Confusion\\_2013.pdf](http://www.nasaa.org/wp-content/uploads/2011/08/Cutting-through-the-Confusion_2013.pdf)

### Questions to Ask Yourself Before You Invest

- \* Do I need help developing strategies to reach my financial goals or do I simply want suggestions on appropriate investment products to implement my goals?
- \* Do I want assistance with a few specific areas, or do I need a comprehensive plan for my finances?
- \* Do I already have a portfolio of investments that I need help managing?
- \* How involved do I want to be in decisions about my specific investments?
- \* Would I prefer paying for investment services through a fee, commissions, a percentage of assets in my account, or a combination of these?
- \* Would I prefer working with someone who is primarily considered a broker, an adviser, or a combination of the two?
- \* How important is it to me that my provider has a legal obligation to act in my best interests and disclose potential conflicts of interest?

### Questions to Ask Your Investment Services Provider

- \* What products and/or services do you offer? Are these offerings limited to certain types of products or only proprietary products?
- \* What qualifications and experience do you have to offer those products and services?
- \* How do you charge for those services? Do you receive compensation from other sources if you recommend that I buy a particular investment product?
- \* Will you break out all fees and commissions?
- \* Would my account be an advisory account or a brokerage account?
- \* Are you required by law to always act in my best interests? Will you put that commitment in writing?
- \* What potential conflicts of interest do you have when recommending investment products to me, and will you disclose those conflicts?
- \* Will you provide me with a written record of any disciplinary history for you and your firm?
- \* Will you give me your regulatory disclosure statements—Form ADV, which must be filed by investment advisers and/or Form U4, filed by brokers?



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### Types of Providers

Federal securities laws recognize **two types of providers—investment advisers**, who are in the business of giving advice about securities, and brokers, who are in the business of buying and selling securities on behalf of customers.

#### Investment advisers

are fiduciaries. This means that they are required by law to put your interests ahead of theirs at all times by providing advice and recommending investments that they view as being the best for you.

- Investment advisers also are required to provide up-front disclosures about their qualifications, what services they provide, how they are compensated, possible conflicts of interest, ownership and affiliations, and whether they have any record of disciplinary actions against them.
- Investment advisers are regulated directly either by the U.S. Securities and Exchange Commission (SEC) or by state securities regulators primarily based on the amount of assets they manage.

#### Brokers

are generally not considered to have a fiduciary duty to customers, although this standard may apply in certain circumstances. Instead, brokers are required to know your financial situation well enough

### Types of Providers (cont)

to understand your financial needs, and recommend investments that are suitable for you based on that knowledge.

- Brokers are not required to give the same up-front disclosure about conflicts of interest and ownership as provided by investment advisers.
- In addition to being regulated directly by the SEC and by state securities regulators, brokers are subject to regulation by the Financial Industry Regulatory Authority (FINRA), a self-regulatory organization.

#### Financial planners

are not separately regulated as planners. Instead, their regulation and the level of responsibility they owe customers depend on the services they provide.

- Financial planners providing investment advice must be registered or licensed as investment advisers and are subject to a fiduciary duty. Those who sell products must be registered or licensed representatives of brokers.
- Some financial planners perform other activities that do not involve securities and are not regulated under laws governing either investment advisers or brokers.

