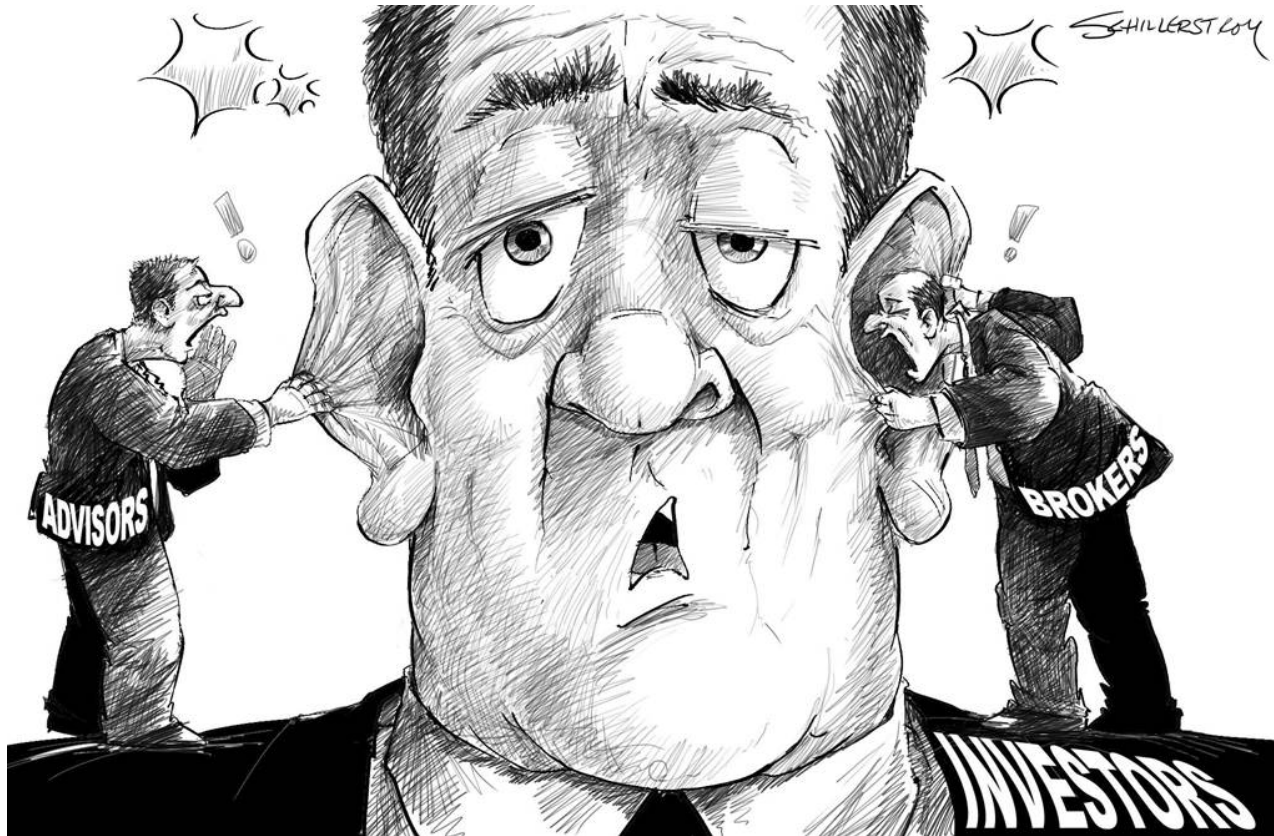


Understanding Financial Advice

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

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