

Financial Planner Alert

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## Looking for a Financial Advisor? Do your homework first.

The key to choosing a planner is knowing what services they provide and what services you need. You should know exactly what services you are getting, how much they will cost, and how your planner gets paid. Ask lots of questions and do your homework. No investment is too complicated to be explained to you, and you deserve clear answers.

First, you need to know what you need and what you are paying for when paying an advisor.

### Two types of financial planners:

- **Fee-Only Financial Planners** charge a flat fee or an hourly fee for financial advice. They do NOT receive commissions from mutual funds or other financial products that they recommend. To find a fee-only advisor, you can call the National Association of Personal Financial Advisors (NAPFA) at 1-888-333-6659 or [www.napfa.org](http://www.napfa.org).
- **Commission-Based Financial Planners** earn commissions on the investments they sell. They may have a bias for investments that will pay them commissions. Some commission-based planners also charge a fee. Look for a certified financial planner (CFP).

You can contact the Certified Financial Planner Board of Standards, Inc. (CFP Board) at [www.cfp.net](http://www.cfp.net) or 1-800-487-1497.

### Red Flags--What you should look for

In 2014, the U.S. Securities Exchange Commission (SEC) Office for Education and Advocacy issued an Investor Alert to help investors identify and be aware of financial professionals that may have a history of misconduct.

Before becoming a customer or client, take the time to look at the registration status and background of any firm or financial professional you are considering. You should be cautious of financial professionals with a history of misconduct.

#### Red flags may include:

- Disciplinary actions by a government regulator, such as the SEC or a state securities regulator, or by a self-regulatory organization, such as the Financial Industry Regulatory Authority (FINRA).
- A history of customer complaints.
- Lawsuits or arbitration claims brought by customers.

- Employment with one or more firms that have been expelled from the securities industry.

## Where you should go to do your research

Anyone registered to sell securities or provide investment advice generally must disclose certain complaints, lawsuits and arbitrations, regulatory actions, employment terminations, bankruptcy filings, and certain other criminal or civil legal proceedings. You should also be able to find out whether the individual is currently registered or licensed, or has been suspended, as well as the individual's qualifications and employment history. These records are available through the U.S. Securities Exchange Commission (SEC), Financial Industry Regulatory Authority (FINRA) and /or State securities regulators.

- **Financial Industry Regulatory Authority (FINRA) BrokerCheck Program**

For an individual broker or a brokerage firm, background information is available through FINRA's BrokerCheck report. BrokerCheck reports are free and investment professionals or firms are not made aware of any searches that are conducted. Contact: [www.finra.org/brokercheck](http://www.finra.org/brokercheck) or toll-free hotline: 1-800-289-9999

**TIP:** A potential red flag for financial professional misconduct is previous employment at one or more firms that have been expelled from the securities industry. To determine whether this red flag applies to an individual broker, review the BrokerCheck report for the individual broker and review the firms listed under the "Registration History" section. Then, run a separate BrokerCheck report for each of those firms listed.

- **SEC Investment Adviser Public Disclosure (IAPD) Website**

Certain firms or financial professionals, such as money managers, investment consultants, and financial planners may be required to register with the SEC or your state's securities regulator as investment advisers.

For SEC-registered investment advisers or their representatives, background information such as a description of the adviser's business practices, fees, conflicts of interest, and disciplinary history, is generally available at the SEC's IAPD website: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

- **State Securities Regulators**

State securities regulators also have background information on brokers and state-registered investment advisers. Notably, state securities regulators may, in certain instances, provide information in addition to what may be found in a FINRA BrokerCheck report or on the SEC's IAPD website.

To obtain contact information for your state securities regulator, you can either call the North American Securities Administrators Association (NASAA) at (202) 737-0900 or visit the NASAA website at [www.nasaa.org](http://www.nasaa.org).

- **Professional Titles**

Some financial professionals may also have professional titles, such as Certified Financial Planner (CFP®) or Chartered Financial Analyst (CFA®). The requirements for obtaining and using professional titles vary widely. To use certain titles, a financial professional may need to pass exams, meet ethical standards, have relevant work experience, and undertake continuing education. Both CFP and CFA credentials require this kind of extensive education and training. Other titles, however, may be obtained with little time, effort, and experience. Keep in mind that a professional title is not the same as a license or registration granted by federal or state regulatory authorities.

**Beware!** There is an increasing use of credentials used by financial advisors to imply they have special expertise in giving advice to seniors. These so-called "senior designations" can be misleading and are often used by dubious financial advisors who target seniors and sell inappropriate or fraudulent products. The Consumer Financial Protection Bureau released a report in 2013 that looks at this issue in more detail: [http://files.consumerfinance.gov/f/201304\\_CFPB\\_OlderAmericans\\_Report.pdf](http://files.consumerfinance.gov/f/201304_CFPB_OlderAmericans_Report.pdf)

## Additional Resources

- **SEC Investor Bulletin:** "Top Tips for Selecting a Financial Professional" [www.sec.gov/investor/alerts/ib\\_top\\_tips.pdf](http://www.sec.gov/investor/alerts/ib_top_tips.pdf)
- **FINRA Publication:** "Selecting Investment Professionals" <http://www.finra.org/Investors/SmartInvesting/GettingStarted/SelectingInvestmentProfessional>
- **NASAA Alert:** "Informed Investor Advisory: Financial Service Providers" <http://www.nasaa.org/22870/informed-investor-advisory-financial-service-providers>
- **NASAA`s investor bulletin:** "Making Sense of Financial Professional Titles," which is available on the SEC website: [http://www.sec.gov/investor/alerts/ib\\_making\\_sense.pdf](http://www.sec.gov/investor/alerts/ib_making_sense.pdf)