



Investor.gov

U.S. SECURITIES AND
EXCHANGE COMMISSION

Investor Bulletin: How to Select an Investment Professional

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Choosing an investment professional is an important decision. This updated Investor Bulletin provides a few key tips to help you make a well-informed choice. A number of questions you should consider asking *before* you hire an investment professional are in our investor bulletin [“Questions to Ask When Hiring an Investment Professional.”](#) Should you have any questions for us, feel free to call our toll-free investor assistance line at 1-800-SEC-0330 or use our online question web form at <https://www.sec.gov/oiea/QuestionsAndComments.html>.

Tip 1. Make sure the investment professional is licensed.

Always check the background of any investment professional on [Investor.gov](#) to make sure the person is licensed. Unlicensed, unregistered persons commit much of the investment fraud in the United States. You can perform a quick – and free – search through [Investor.gov](#).

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

Investment professionals offer a range of financial and investment services such as advice on choosing securities and purchasing and selling securities.

Just as a grocery store offers more products than a convenience store, some investment 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 investment 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 investment professional getting your permission before any purchase or sale is made?
- Ongoing investment management, where the investment 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 investment 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 for an annual portfolio review or a financial plan;
- A commission on the securities bought or sold;
- 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 certain investment products, such as bonds or other debt securities, or a "mark-down" when you sell them;
- A single, bundled or "wrap" fee that may cover investment advice, brokerage services, administrative expenses, and other fees and expenses.

One type of account may cost you less than another, depending on the financial services firm you're dealing with and the kinds of services you want. Ask about what alternatives make sense for you. And remember: even if you don't pay the investment professional directly, such as through an annual fee, that person is still getting paid. For example, someone else may be paying the investment professional for selling specific products, and those payments may be built into the price you ultimately pay to buy or hold 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 can take away from the profits you otherwise could be making from your investments.

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

Investment professionals hold different licenses. For example, investment professionals who are representatives of broker-dealers must take an exam to hold a license, while state regulators often require representatives of investment advisers to hold certain licenses. Investment 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 an investment professional has an

industry designation, like “CFA,” you can look up what it stands for using [FINRA’s Professional Designations](#)

page. Don’t accept a professional designation as a badge of knowledge without knowing what it means, and [Beware of False or Exaggerated Credentials](#).

Tip 5. Ask the investment 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 an investment 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 investment professionals they regulate.
- Check the background of your investment professional on [Investor.gov](#).
- You can also see if the person has been named in an SEC action using the [SEC Action Lookup – Individuals \(SALI\) database](#), or even do a simple internet search for any news about the person.
- State securities regulators also have background information on brokers as well as certain investment advisers. You can find your state regulator at <http://www.nasaa.org/about-us/contact-us/contact-your-regulator/>
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Related Information

For additional information, see the SEC’s website for individual investors, [Investor.gov](#), and these resources:

SEC Investor Bulletin: [Questions to Ask When Hiring an Investment Professional](#)

SEC Investor Bulletin: [How Fees and Expenses Affect Your Investment Portfolio](#)

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](#)

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