

What is fee-only financial advice?

Fee-only financial advice, as distinguished from commission-based sales, is advice delivered in exchange for a fee. Since the recommendations do not affect the advisor's compensation, the advice is objective and free from conflicts of interest. There is no sales pressure. Fee-only advisors provide personalized non-commissioned based financial advice. You and your advisor should have the same objectives.

What is the difference between independent fee-only financial advisors and full-commission brokers?

Independent, fee-only financial advisors provide customized advisory services for a flat fee, an hourly rate, or a percentage of the assets being managed. This method of compensation means the advisor gets paid for providing professional advice on reaching your goals, not for activity in your account. Full-commission brokers, on the other hand charge commissions or sales fees based on trading activity or product sales. Financial plans and investment recommendations from full-commission brokers are often product driven, raising conflict of interest issues.

Why does working with a person who has fiduciary duty important?

Knowing your planner's exact job title may help you tell whether he or she is a 'fiduciary' -- a professional who's 100% committed to putting your financial interests first. The word is "fiduciary," and in the world of money it means someone who's committed to putting your financial interests ahead of his or her own. People who are stock brokers (also known as "registered representatives") or insurance agents are allowed to put their own interests, or those of their firm, ahead of yours.

	Full-Commission Broker	Wrap Programs (Fee-Based Brokerage Programs)	Independent, Fee-Only Financial Advisors
Financial Planning Services Offered:	Plans are often standardized and focus on investment products.	Typically do not offer financial planning services.	Customized plans based on investor's needs.
Investment Management Services offered:	Varies with the broker; ranges from standardized program to periodic buy and sell recommendations.	Generally an asset allocation plan based on individual's goals and risk tolerance.	Thorough needs assessment conducted, customized investment plan developed and tailored to the investor's personal goals. Ongoing investment management.
When adjustments are made to your portfolio:	Varies with the broker; investor must generally give approval before broker can enter orders for each trade.	Varies, can be periodic or ongoing.	Adjustments can be made at any time as market conditions or personal circumstances warrant.
Cost to Investor:	Investors pay commissions and/or sales charges that vary with the amount of trading and/or investment products sold.	Generally an annual fee of 2%-3% of assets, which includes commissions.	Set fee for services, flat fee, hourly rate, or annual fee of approximately .5% - 1% of assets under management.
Investor's relationship to financial professional:	Varies with the broker; contact ranges from frequent to sporadic.	No personal relationship with the professional who manages the investments.	Investor works directly with the professional responsible for providing advisory services. Contact is frequent.
Minimum account size:	Varies.	Generally between \$25,000 and \$100,000.	Varies.