Guide to Financial Professionals

	INSURANCE AGENT		BROKER			INVESTMENT ADVISOR		
	Life	**Annuity**	**Full Service**	**Mutual Fund**	**Discount**	**Assets Under Management**	**Planning Only**	**Hybrid**
Products Sold	Permanent life insurance, whole life, universal life, indexed universal life, guaranteed universal life	Fixed income annuity, fixed rate annuity, variable annuity, indexed annuity	Mutual funds, structured products, initial public offerings, alternative investments, individual stocks, individual bonds	Loaded mutual funds	DIY: Stocks, bonds, ETFs, mutual funds, options - pointing to full-service solutions	Individual securities, funds, could be nearly anything, but most commonly public markets with some private/alternative assets	Could be nearly anything, but mostly index funds	Individual securities, funds, could be nearly anything, but most commonly public markets with some private/alternative assets
Compensation	Upfront commission, a percentage of "Target Premium"	Upfront commission, a percentage of your deposit	Upfront commissions (mostly), some trails (ongoing payments), commissions & fees reduce your investment value	Mutual fund loads (upfront, ongoing, or back-end)	Uninvested cash, funds sharing expense ratios, lending interest, smaller commissions	AUM-based (fee-only if no B/D or insurance, fee-based if AUM & B/D or insurance)	Hourly, project-based, long-term retainer (fee-only in the way consumers describe it)	AUM plus planning fee (usually project based or retainer)
Direct Cost to Portfolio?	The commission does not reduce your investment value. Likely getting lower investment growth instead or surrender fees for early termination		Loaded funds reduce the investment value, some products offer the broker a "spread" or "markup"	Loaded funds reduce the investment value	Sometimes	Yes, the advisory fee is clearly debited from the portfolio (most often quarterly)	Reduces your bank account, but not the portfolio	AUM fee debited from the portfolio, planning fee either debited from the portfolio or bank account
Primary Service	Life insurance needs assessment	Income protection	Investment advice, portfolio analysis, and construction	Model portfolio of funds	DIY access to investments	Paid for investment management, but primary services also include planning discussions	Conversations, answers, analysis	Investment management and advice
Additional Services	Some estate tax planning	Some retirement income planning	Market research, estate planning, taxes, access to IPO shares, foreign markets, and more	Portfolio rebalancing, retirement planning, some tax ideas	Some investment guidance, some retirement income planning	Some only do investment management, most provide some retirement projections, some do holistic planning (tax, estate, college, Social Security, etc.)	Specific project-based engagements (divorce, Social Security, tax, etc.)	Additional financial planning (retirement projections, tax, estate, college, Social Security, etc.)
Regulation & License	STATE Insurance License		FINRA Series 7 (National) Series 63 (State)			SEC OR STATE Series 65 or 66 < $100M = State, $100M+ = SEC, reps governed by FINRA		
Potential Bias or Conflicts	Overinsure, higher-cost investments, reduced incentive to service long term		Biased towards overactivity, compensation upfront may lead to lower ongoing service, often dealing with greater conflicts of interest		Lower cost, so very transactional, don't want you to invest in options that are less profitable for the brokerage	More assets under management, annual fee may be more than the value provided	Hourly = more time, project-based = less time, long-term retainer = less time	More assets under management, lack of clarity between the services for the two types of fees
Typical Clients	Those needing one-time insurance solutions, "Mortality Risk"	Near retirement, wanting to protect a portion of their assets or income against market declines, "Longevity Risk"	Active or more sophisticated investors who want to be involved in the portfolio but not DIY	Often lower net worth customers, the local advisor finds you and you didn't shop others	DIY-ers	Delegators, busy people, those with low interest in making investment selections, those wanting a more proactive financial advisor	Active investors who only want some non-investment financial advice, those who are less comfortable paying for additional financial management or services	Delegators, those who want to attribute each cost to a specific service, those hoping to pay less in fees with a lower AUM fee due to fixed planning fees
How They Sound	"Tax-free retirement," a lot of talk about risks, may portray unlikely catastrophic events as a high probability	Sometimes too good to be true (growth and no loss), a lot of talk about the stock market being bad, overemphasis on the risk of losing money in investments	"I have all the licenses," sell you on access to "proprietary research and investments," very focused on investment markets	Very relationship-focused, "Diversify and invest," "The funds pay me, you don't"	Heavily focused on the website, research, and tools, typically assign salespeople to cross-sell you to other more profitable models	"We'll manage it for you" "We're your financial advisor"	Negative on all other advice models, purists	"I'll build a plan for you for $X and you may or may not choose to implement with me"

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