



CHOOSING and MONITORING a **FINANCIAL PROFESSIONAL**

Investing in the securities markets can be a complex and risky endeavor. In many instances, the assistance of a financial professional is needed to provide perspective and guidance, especially if you don't have the time or expertise to handle your own investments.

The following information covers various types of financial professionals who can provide assistance in helping you reach your financial goals. Before entrusting your life savings with anyone, it is important to know what questions to ask and how to verify the answers, which can save you time, frustration and most importantly, potential financial loss due to unsuitable investments and fraud.

Do I need a financial professional?

These questions can help you decide:

- Am I confident about making investment decisions?
- Am I knowledgeable enough to begin my own long-range financial planning?
- Do I know enough about my investment alternatives to work effectively toward my short-term and long-term objectives?
- Do I expect my present income and investment approach to provide for my retirement years?

If you answered "no" to any of these questions, you should consider talking to a financial professional.

What types of professionals offer assistance with investments?

There are three major types of professionals who can help you with your investments:

- Investment advisers
- Registered representatives (commonly known as stockbrokers or brokers)
- Financial planners

Investment Advisers—a legal term to describe people who receive compensation for providing investment advice and ongoing management of a wide range of securities/investments. Besides the term investment adviser, you may see other titles such as investment manager, investment counsel asset manager, wealth manager, or portfolio manager, for example. Regardless of the title, advisers are subject to licensing requirements by a state or federal securities regulator, and are legally required to:

- provide upfront disclosure about their qualifications, their menu of services, compensation schedules, and any disciplinary actions taken against them,
- act in a client's best interest at all times, and
- disclose in writing to you any conflicts of interest.

Registered Representatives—a legal term to describe people, commonly known as brokers or stockbrokers, who buy and sell securities for customers through securities dealers, also known as brokerage firms. Other unofficial titles include financial adviser, financial consultant, or investment consultant. Unlike investment advisers, stockbrokers are generally subject to a suitability standard, which means they are only required to know a customer's financial situation well enough to understand that person's financial needs and recommend investments that are suitable for that customer. They are permitted to offer investment advice in connection with their brokerage services without being separately licensed as an investment adviser.

Financial Planners—a non-legal term to describe people who develop a master plan for multiple aspects of an investor's finances, including investments, real estate, tax planning, budgets, and insurance. A financial planner's licensing requirements and level of legal responsibility is dependent upon what services are provided. Planners, who provide investment advice for a fee, must be licensed as an investment adviser and be subject to a fiduciary duty. Planners, who buy and sell securities, including variable annuities for a commission, must be registered as a registered representative with a securities regulator and be subject to a suitability standard. Planners who sell insurance must be licensed as a producer with a state insurance regulator. However, some planners provide other services that do not require any licensing or registration with a regulator.

How do you choose a financial professional?

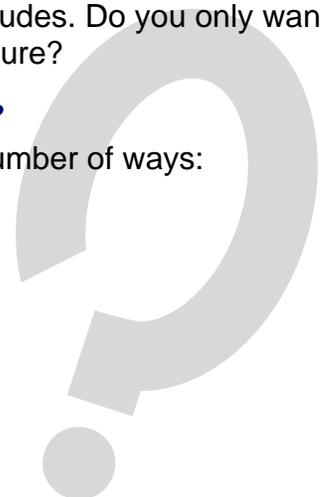
In the same way you would choose any professional specialist such as a doctor, lawyer or accountant, ask friends, relatives, and business associates to recommend a financial professional with whom they have had a satisfying, long-term business relationship. Other possible candidates could be found by contacting an independent financial consulting business or representatives of financial services companies.

When shopping for a financial professional, select an individual whose investment philosophy fits your own needs. Before making your choice, interview multiple candidates. Prepare for the interview by assessing your financial goals, expectations, and attitudes. Do you only want investment strategies or a detailed plan for your entire financial future?

What will it cost to have a financial professional?

A financial professional's compensation can be determined in a number of ways:

- an hourly fee
- a flat fee for specific services, as agreed
- a percentage of annual income or total assets
- a commission on financial products you purchase
- a fee offset by commissions on investments made for you



Be sure you understand the fee schedule before you make a commitment. Do not write out a check or hand over your money without a signed agreement that you understand. Also, the financial professional should keep your personal information to the level of confidentiality that you desire.

What makes a competent financial professional?

Competent financial professionals want to know about your current financial situation, goals, and needs, and are able to explain their investment strategy to even the most inexperienced client. Nevertheless, becoming familiar with common investments and understanding your financial objectives and various investment strategies will be helpful in working with your investment professional and be a built-in safeguard as well.

Regarding investment advisers and stockbrokers, look for an individual who is licensed or registered, and who does not have a serious disciplinary record with regulators. Regarding financial planners, look for an individual with recognized credentials. A financial planner may have a designation behind their name such as PFS (Personal Financial Specialist), CFA (Chartered Financial Analyst), CLU (Chartered Life Underwriter), CFP (Certified Financial Planner), or ChFC (Chartered Financial Consultant). While not listed by all financial planners, licensing, extensive education and professional experience may indicate greater interest in providing competent, ethical service, and participation in continuing education programs.

Keep in mind that titles such as **Financial Analyst, Financial Adviser (Advisor), Financial Consultant, Financial Planner, Investment Consultant** or **Wealth Manager** sound official, but they are actually generic terms or job titles that may be used by individuals who may not hold any specific designation.

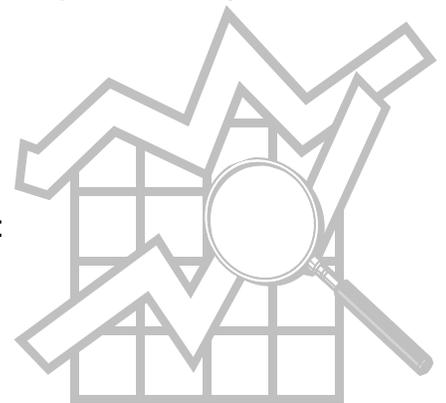
Get the names of the groups to which the financial professional claims to belong and ask about the additional university or trade education and listing standards he or she claims to have met. The financial professional may tell you that he or she has been certified by an industry group, but it is important to verify with the particular group to determine the level of education, training, and experience requirements to acquire the designation.

Next, look for a financial professional with a documented track record and sound investment strategies. In booming financial times, it is not difficult to make investments grow. Therefore, inquire about the planner's strategy during tough economic climates with documented recommendations and measurable financial outcomes. Regarding a financial professional's overall investment philosophy, select a planner whose mind set is compatible with your own—a risk-taker, a conservative, or someone in between.

What should you expect from a financial professional?

No matter with which type of financial professional you decide to do business, you should get the following services for your money:

- A written summary of services and fees,
- A discussion of the amount of risk you are willing to tolerate in achieving your financial goals,
- A detailed explanation of the assumptions underlying your investment plan, including projections for shifts in the rates of inflation and interest, and
- A range of investment choices, with the pros and cons for each course of action. You should be provided with several alternatives.



For financial planners, you should expect to receive, besides the above information, all of the following:

- A clearly written and individualized financial plan, including a balance sheet of assets and liabilities and a statement projecting cash flow for at least one year. This plan should include a precise definition of your financial objectives and the steps you will take to achieve them,
- Specific suggestions for improving your personal cash management,
- Assistance and direction in the actual implementation of your plan,
- A specific schedule for monitoring the progress of your financial plan, including periodic opportunities for reviewing your objectives and checking on the performance of your planner's advice, and
- Additional advice, if needed, from other licensed professionals such as lawyers, accountants, and securities salespersons, which is important if you do not already have established contacts with professionals in these areas.

How do you monitor a financial professional?

Although the majority of financial professionals are honest, some do make mistakes or worse yet—take advantage of your trust. After spelling out in writing your investment objectives and risk tolerance, the best defense against problems is to take an active role in the management of your investment account. After all, no one cares more about your money than you do! As a regular practice, keep a written record of all telephone conversations, maintain a correspondence file of your account's activity, and regularly examine your account statements for any discrepancies.

If there is a discrepancy, immediately call your financial professional with questions. Delay only weakens your case later on. If your financial professional is unable or unwilling to resolve your concerns, contact the firm's manager or compliance officer. If you are working with an investment adviser who is self-employed, contact your state or federal securities regulator to file a complaint. While state and federal regulators cannot represent you in an attempt to get your money back, they can review the activity and practices of the financial professional to determine if violations of state and federal securities laws have occurred.

In addition to the above considerations, here are some important fraud prevention tips:

- ✓ Check with regulators to determine license/registration status of the professional before turning over your financial records and funds.
- ✓ Verify if the investment is registered with a regulator and authorized by the salesperson's securities firm.
- ✓ Never judge a person's integrity by their fancy title or how they sound over the telephone.
- ✓ Avoid signing blank accounts forms.
- ✓ Require documentation of all agreements and transactions.
- ✓ If you don't understand the contract terms, don't invest.
- ✓ Don't feel pressured to make a decision right away. Ask questions and verify the answers.
- ✓ Never put the bulk of your money into only one investment. Diversify.
- ✓ If the investment sounds too good to be true, it probably is.

What regulators can help me?

Before you hand over any funds, determine if your financial professional has a criminal record or a history of monetary-related complaints. Even if information is not available directly about the financial professional, the Commission's Securities Division may have information about the previous business and investment promotion activities of an individual and company. Contact the following securities regulators about potential disciplinary histories, license status, and certifications:

Arizona Corporation Commission—Securities Division
1300 W. Washington, 3rd Floor
Phoenix, AZ 85007
TEL: 602-542-0662 or 1-866-VERIFY-9 (837-4399, toll-free in Arizona)
EMAIL: info@azinvestor.gov
WEB: www.azinvestor.gov

U.S. Securities & Exchange Commission
Office of Consumer Affairs & Information Services
450 Fifth Street, NW
Washington, DC 20549
TEL: 202-272-7440
WEB: www.sec.gov and www.investor.gov

Financial Industry Regulatory Authority
1735 K Street, NW
Washington, D.C. 20006-1506
TEL: 1-800-289-9999
WEB: www.finra.org and www.saveandinvest.org

Free Investor Resources

For more information on wise investing and avoiding investment fraud, visit the Investor Resource Center, www.azinvestor.gov. To request a presentation for your group call the Investor Education Coordinator at 602-542-0428 or email at info@azinvestor.gov.