



Two types of investment professionals

Which one is right for you?

When it comes to your finances, you need a strong team to assist you with important information and decisions. A key player on this team is the person who helps you choose and manage your investments. That person can have a major impact on your long-term financial health, so it's important to understand how to select the appropriate financial professional.

There are two main types of investment professionals to consider: **registered representatives** and **investment adviser representatives**. They each have different types of credentials, may play different roles for different investment accounts and are compensated in different ways.

Your investment professional may be both a registered representative, as well as an investment adviser representative, depending on the role that they play in providing investment services throughout your financial life.



Registered representatives

What they can and can't do

Most investment professionals are registered representatives — also known as brokers. These professionals are licensed primarily through broker-dealers. Registered representatives are regulated by the Financial Industry Regulatory Agency. Registered representatives are licensed to buy and sell specific types of securities products on behalf of their clients, depending on the type of license they hold. While they can offer some guidance when it comes to choosing investment products, they're only allowed to recommend products that are “suitable” for their clients. In other words, products that

match a given client's investor profile — his or her age, risk tolerance, time horizon, etc. In addition, registered representatives only receive compensation when the client purchases or sells a financial product.

So if, for example, you're nearing retirement, you have a low risk tolerance, and you want to play it safe with your investments, a registered representative shouldn't suggest that you sink your entire retirement savings into high-risk securities, because that wouldn't be “suitable” for you.

You call the shots, they get paid

When you work with a registered representative, you're in the driver's seat: the representative only buys or sells securities authorized by you. In most cases, the representative is paid with a one-time commission or sales charge for each product bought or sold on your behalf. So, the amount of their compensation is directly tied to the product bought or sold. There's no separate fee for advice.

If your investment needs are pretty straightforward and you don't have a huge amount of investable assets to manage, a registered representative may suit your needs just fine. Working with a registered representative can be more economical than working with an investment adviser representative, who provides a more in-depth and ongoing level of investment advice.



Investment adviser representatives

A different kind of relationship

Investment adviser representatives (IA-Reps) must adhere to a “fiduciary standard of care,” meaning they have a legal duty to provide investment advice that is in the “best interests” of their clients. It’s a higher standard of professional diligence than recommending “suitable” investments, as is required of registered representatives. IA-Reps are regulated by the U.S. Securities and Exchange Commission.

When you work with an IA-Rep, you’re still ultimately in charge of how your investments are allocated and managed, but typically the

day-to-day management of your assets is handled by the IA-Rep, the IA-Rep’s firm, or third-party investment firms with whom the IA-Rep’s firm has agreements, depending on the terms of your advisory program. These activities may include rebalancing or changing the way your assets are allocated based on your age or investment horizon, or in response to market conditions. Your IA-Rep will communicate with you on an ongoing basis because the management of the assets in an advisory relationship is a continuous process.

An ongoing, fee-based relationship

Another key difference between a registered representative and an investment adviser representative is that you pay the IA-Rep an ongoing fee for his or her advice and services, instead of commissions on each investment product bought or sold, as you would with a registered representative. The

fee is usually a percentage of the assets under management. As your investments grow, the IA-Rep’s fee grows, too. Bottom line, if you have a larger amount of wealth to manage, or your investment needs are more complex, an investment adviser representative might be the right choice for you.



READY TO FIND THE RIGHT INVESTMENT PROFESSIONAL?

If you're ready to start working with an investment professional, it's important to understand the products and services that are being offered and the different obligations of registered representatives and investment adviser representatives.

No matter which type of investment professional you choose, it's essential to find someone you feel comfortable with – who takes the time to understand your needs, preferences and goals when it comes to managing your finances.



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