

# ★ Celebrating ★



## Independent Financial Advisors

July 4th, 2019, is the 243rd anniversary of the publication of the Declaration of Independence of the United States of America from Great Britain in 1776. For most of us, this holiday is a source of great pride and historically has been a day when differences we may have with each other are set aside as we celebrate our unique and amazing country. The sacrifices of prior generations that have allowed this amazing experiment in democracy and freedom are acknowledged with community parades and gatherings of family and friends in backyards and parks from coast to coast. Although political opinions may vary from person to person, we are fiercely united in our belief that each of us maintains the right to not only have our own, independent beliefs but that we also have the right to express them.

This fierce disposition can also be found among independent financial advisors and independent financial advisors. Who are these professionals and why should you care? Let's start by focusing on the independent aspect.

For purposes of this article, licensed independent investment professionals are defined as those who are not employed by a large securities firm that also custodies client assets. Instead, they are typically either self-employed or are employed by a firm that is owned and/or managed by self-employed industry professionals. Because these professionals are independent, they are not tied to any particular family of funds or investment products allowing them to more easily focus on your best interests.

What is the difference between a financial adviser and a financial advisor? Although the terms sound similar, investment advisers are not the same as financial advisors and should not be confused.

★ **INVESTMENT ADVISER**

FINRA defines an investment adviser as “an individual or company who is paid for providing advice about securities to their clients.” They typically hold either a FINRA Series 65 or FINRA Series 66 securities license and as a result are an Investment Adviser Representative (IAR) of a Registered Investment Adviser Firm (RIA) and as such are a regulated fiduciary. As fiduciaries, they are held to the highest standard of care and are required to act in the best interests of their clients at all times. They are registered with either the Securities and Exchange Commission and/or state securities regulators and are typically compensated by the investor either paying a fee based on their assets being managed or by paying a negotiated fee for services rendered.

★ **INVESTMENT ADVISOR**

The term financial advisor is a generic term that usually refers to a broker or a Registered Representative. Although a broker can, and often does, also provide advice the advice that they are providing is technically incidental to their primary role which is to facilitate suitable purchases and/or sales of securities for the investor. A broker's compensation typically comes in the form of commissions or a mark-up on a security.

★ **PLEASE NOTE**

Some financial professionals, like me and those at my firm, hold the necessary licenses to be able to act in both the aforementioned capacities and may do so based on what may best serve the client. For example, we have clients who wish to have us manage the majority of their investments on a discretionary basis as a fiduciary (where I am an IAR) but also wish to have a smaller brokerage account in which they like to occasionally buy and sell stocks and would like our assistance in doing so (where I am a broker).

The number of independent financial advisors has grown significantly over the past few decades. Reasons for this growth can include:

- A strong entrepreneurial drive.
- The desire to be unencumbered by proprietary investment products.
- The desire to create one's own “brand”.
- The goal to focus on the client without other competing interests.

This year when I gather with friends and family to toast our great nation's independence, I'll raise my glass a second time to also honor independent advisers and advisors everywhere. Hope you'll do the same!

<sup>1</sup> Financial Industry Regulatory Authority which is the securities industry's primary self-regulatory organization. You can get background information on both SEC- and state-registered investment advisers by using FINRA BrokerCheck at <https://brokercheck.finra.org/>

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■ *Tom McCartney is the Founding Principal of My Advisor & Planner and a registered representative and investment advisory representative with M Securities. Investments in securities involve risks, including the possible loss of principal. My Advisor & Planner is independently owned and operated. McCartney and his team can be reached at [info@mapyourfuture.net](mailto:info@mapyourfuture.net) or 630-457-4068.*



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