

 TAKING THE NEXT STEP

# Two Types of Investment Professionals: Which One Is Right for You?

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There are two main types of investment professionals to consider: “registered representatives” (more commonly referred to as brokers or account executives) and “investment advisor representatives” (often simply referred to as financial advisors or investment advisors). 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 (broker or account executive), as well as an investment advisor representative,

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depending on the role that he or she plays in providing investment services throughout your financial life.

## **Brokers, Registered Representatives**

Most investment professionals are brokers (*i.e.* registered representatives). These professionals are licensed primarily through the brokerage firms they work for. Individual brokers are regulated by the [Financial Industry Regulatory Authority](#), the self-regulatory organization for the securities industry.

Brokers 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, **brokers 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.

When you work with a broker, you are responsible for the decisions: the representative only buys or sells securities that you authorize them to. In most cases, the broker is paid with a one-time commission or sales charge for each product they buy or sell on your behalf. So the amount of their compensation is directly tied to the product they buy or sell. There's no separate fee for advice.

**Bottomline:** If your investment needs are pretty straightforward, and you don't have a huge amount of investable assets to manage, a broker or registered representative may suit your needs just fine. Working with a registered representative can be a more economical way to go than working with an investment advisor representative, who

provides a more in-depth and ongoing level of investment advice.

## Investment Advisor Representatives

The regulation and standards for investment advisors are different, as are the services they provide. As a result, they are paid differently as well.

Investment advisor representatives must adhere to a “fiduciary standard of care,” meaning that 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 registered representatives or brokers are required to do. Investment advisor representatives are regulated by the [Securities and Exchange Commission](#).

When you work with an investment advisor, 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 investment advisor, the advisor’s firm, or third-party investment firms with whom the advisor’s firm has agreements, depending on the terms of the advisory program you have invested in. 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 investment advisor representative will communicate with you on an ongoing basis because the management of the assets in an advisory relationship is a continuous process.

Another key difference between a registered representative and an investment advisor representative is that you pay the investment advisor representative **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 broker or registered representative. The fee is usually a percentage of the assets under management (AUM), and as your investments grow, the advisor’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 advisor 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 brokers/registered representatives and investment advisor 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.

Financial professionals working with MassMutual [can be found here](#).

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STILL NOT SURE WHAT YOU NEED?  
Select a Goal and We'll  
Help You Get There

# Your goal:

## Plan for My Financial Future



It's never too early or late to plan for your financial future. Whether you're just starting out or further down the path, even small steps can go a long way. By protecting, managing and growing your assets, you'll gain the confidence of knowing you're prepared not only for the short term, but also for the road ahead — wherever it may bring you.

### CHOOSE A NEW GOAL



**YOUR CURRENT GOAL**  
Plan for My Financial Future



Protect Who Matters Most



Plan for Retirement



Care for a Loved One with Special Needs



Protect My Finances from the Unexpected



Plan for College



Plan for Long Term Care



Manage Income in

