



Consumer Federation of America



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CONSUMERS, REGULATORS, AND INDUSTRY GROUPS JOIN TO PRODUCE INVESTOR EDUCATION BROCHURE

Free Publication Designed to Address Consumer Confusion about Stockbrokers, Investment Advisers, and Financial Planners

WASHINGTON, D.C., MAY 9, 2006—The Coalition for Investor Education – a broad group of consumer organizations, state securities regulators, and investment services providers – today released a free brochure designed to guide investors through the process of choosing an investment services provider.

The brochure, “Cutting through the Confusion,” explains the differences between brokers, investment advisers, and financial planners and identifies questions investors should ask themselves and potential providers before making a choice. The coalition that produced the publication includes the Consumer Federation of America, North American Securities Administrators Association, Investment Adviser Association, Financial Planning Association, and CFA Institute.

“Consumers are confused about differences between the various types of investment services providers, and who can blame them?” said Barbara Roper, Director of Investor Protection for the Consumer Federation of America. “This brochure is designed to cut through that confusion, by describing the types of investment services available, payment options, and differing legal obligations of each provider. Armed with this information, we hope that investors will be able to decide which type of provider is best for them.”

“In addition to enforcing our securities laws, state securities regulators are committed to helping investors navigate the maze when seeking an appropriate provider to assist them with their investment needs,” said Patricia Struck, President of the North American Securities Administrators Association and Wisconsin Securities Administrator. “In carrying out our front line responsibilities as regulators, we certainly are aware of

problems investors face due to the blurring of lines between traditional brokerage, investment advisory, and financial planning activities.”

“Much of the confusion stems from the fact that, during the past few years, brokerage firms increasingly have been offering services that look like investment advisory or financial planning services – and they have begun charging asset-based fees instead of commissions for these services,” said David Tittsworth, Executive Director of the Investment Adviser Association. “In addition, stockbrokers increasingly have begun to refer to themselves as financial consultants, financial advisers, or similar terms, so investors must be careful to understand whether their account is being treated as a brokerage account or an advisory account.”

“The legal distinctions between various investment professionals are significant,” said Neil Simon, Director of Government Relations for the Financial Planning Association. “For example, investment advisers – including financial planners who are registered as investment advisers – are subject to a legal fiduciary duty that requires them to place their clients’ interests first. Brokers, on the other hand, are not subject to a blanket fiduciary duty.”

“In pursuing our mission of promoting the highest standards of ethics, integrity, and professional excellence in the investment community, we believe that educating investors about the differences among investment professionals is a critical first step,” said Jeffrey Diermeier, CFA, President and CEO of the CFA Institute. “This brochure will help investors ask questions before they make decisions about who should manage their investments.”

A PDF version of the brochure is available on-line at the following sites:

www.consumerfed.org
www.nasaa.org
www.investmentadviser.org
www.fpanet.org
www.cfainstitute.org

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