



## What is a Registered Investment Advisor?

The same disruptive technology that gave birth to the self-directed investment revolution also ushered in the emergence of The Registered Investment Advisor (RIA). An RIA is registered with SEC (U.S. Securities and Exchange Commission), or one or more U.S. States (Department of Commerce or Securities Agency) to do business as a financial advisor. RIAs manage client portfolios as fiduciaries and typically take fees based on assets managed for services versus commissions on trades or products sold.

If considering an RIA, you may have questions – especially if your experience is with old-line Wall Street firms:

Where are investor assets held?

- RIAs typically partner with a discount broker dealer. That means your assets are deposited and held with one of these firms, not the RIA. While RIAs typically provide performance reporting, the account statements are provided by the partner broker dealer. Firms like Charles Schwab, Fidelity, and T.D. Ameritrade offer RIA platforms. These firms are regulated no differently than Wall Street firms.

What are the costs?

- While there is variability in costs amongst independent advisors, one distinguishing fact is that RIAs do not charge commissions. RIAs charge a fee. In most cases, the fee is based on total assets under management. The fee should be clear, transparent, and a separate line item on the statement.

What type of services are provided?

- RIAs may offer managed equity portfolios, mutual funds, individual equities, options, fixed income, private equity, and exchange-traded funds. In addition, there may be estate and gift planning advice, financial planning, retirement planning, family office, and other wealth legacy and advisory services.

### Are RIA's Fiduciaries?

- Yes. Fiduciaries are held to the highest standard of care – and are required to act in the best interests of their clients at all times.

### What does it mean to be independent?

- RIA's use an open architecture of investment products. That means they are not tied to any particular family funds or investment product.

### Do RIA's have Account Minimums?

- This varies between RIA firms, but typically advisors do business with high net-worth investors which are most often defined at \$1,000,000 or more.

### Are returns guaranteed?

- No. An RIA should build a portfolio that comports risk with investor liquidity needs and investment returns expectations.

### Are RIA's Custodians?

- The SEC has higher levels of regulation for custodians, and most RIA's prefer that their partner institution be the custodian. A custodian is a financial institution that holds customers' securities for safekeeping so as to minimize the risk of their theft or loss. A custodian holds securities and other assets in electronic or physical form. Since they are responsible for the safety of assets and securities that may be worth hundreds of millions or even billions of dollars, custodians generally tend to be large and reputable firms. A custodian is sometimes referred to as a "custodian bank."

### Are the assets managed by RIA's liquid?

- Some assets managed by RIA's may have liquidity restrictions or may be penalized for early withdrawals (e.g. Private Equity, Annuities, etc.). However, this is not the norm. Most RIA's invest in securities that trade in liquid markets. Trade settlements are coordinated and assured by the custodian firm.

Do RIA's have technology platforms similar to large Wall Street firms?

- Yes. Many RIA's have technology and services that exceeds their Wall St. rivals. Just like with investments, RIA's have the benefit of open architecture in service providers. This means RIA's are not limited to the Wall Street firms out of the can software. An RIA may use one provider for reporting, another for quotes, and still another for financial planning. The growth of independent channel has given rise to a service provider industry that is highly competitive and getting more robust every day.

Are RIA background checks available?

- In most cases, yes. RIA's who are securities licensed are in the FINRA database and investors are able to see their employment and disciplinary/judgment history at <https://brokercheck.finra.org/individual/summary/820597>. The SEC provides disclosure and advisor history at <https://www.adviserinfo.sec.gov/>.

Paid investment advice is not a one size fits all service. For some, it is unnecessary. For others, having a professional handling their investment resources makes sense. For the latter group, the options are many and can be confusing. When evaluating an advisor, it's important to seek references, ask for a fee audit of the proposed investment plan that includes all internal, external, transactional and management fees, evaluate the custodian, and lastly, seek audited performance results.