



Demming Financial Services Corp.



Financial Advisor vs Financial Planner

What is the difference between a broker and an investment adviser? How about a financial adviser and a financial planner? Many people use these terms interchangeably, yet in reality there are distinct differences. The distinctions are important because these financial professionals have different responsibilities under various federal regulations.

An investment adviser gives advice to others about what securities to buy and sell. A broker executes trades for clients. Also Brokers are held to a different standard than registered investment advisers. Investment advisers must abide by the rules of the Investment Act of 1940 which legally obligates them to act solely in the best interests of their clients and are held to a fiduciary standard of care. Brokers, meanwhile, are regulated by FINRA, which imposes a "suitability standard" rather than the stricter fiduciary standard. This simply means an investment sold by a broker must be suitable for the client.

Adding to the confusion are the interchangeable titles used by financial firms. Brokers may be referred to as a registered representative or stockbroker. Investment advisers may hold themselves out as financial planners. The term "financial adviser" often is used both by broker-dealers and investment advisers. Financial Adviser is a generic term that is most commonly used by both brokers and investment advisers. Financial professionals holding themselves out as financial advisers are not held to a fiduciary standard of care unless they are an investment adviser.



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A fiduciary is a person who has established a relationship of trust and confidence in managing the assets for the benefit of another person rather than for his or her own profit and who is expected to act in the best interest of the client.

A financial planner is also a generic term; however, some financial planners have credentials like Certified Financial Planner™, a designation received from the Certified Financial Planner Board of Standards upon completion of their certification program. The program involves a pre-requisite of three years' experience in the profession plus a curricula of study in five comprehensive areas, culminating in a ten-hour exam similar to the CPA exam. To keep this designation, 30 credit hours of continuing education must be completed every two years, which must include an ethics course. A CFP® is held to a higher professional standard and has a fiduciary responsibility to his clients.

An investment advisor must be registered with either the state or the Securities & Exchange Commission. It is not a professional designation; it's a registration. By registering as an investment advisor, the individual or firm accepts fiduciary responsibility.

Demming Financial Services Corp. is a full-service financial planning firm and an independently registered investment advisor with the SEC. We have three registered investment advisor reps, two of whom have obtained CFP® certification, who are committed to the fiduciary standard of conduct in serving our clients' best interests while fulfilling regulatory requirements.