



Unit Four
Protecting Your Investments



S.A.I.L.
Saving and Investing for Life

Saving And Investing for Life

This publication is made possible by a grant from FINRA Investor Education Foundation.



Members of a Financial Professional Team

Managing your finances can be like putting together a puzzle; all of the pieces need to fit together to produce the “big picture.” Financial professionals can help put the pieces together. Depending on your personal financial situation, and how much knowledge you have, your financial professional team can be as large as 10 people. Here are the possibilities:

Bankers (or their counterparts at credit unions) can help you choose appropriate accounts for your cash and emergency funds.

Real estate agents can help you make housing purchase decisions and help you make contact with mortgage lenders. (Note: You can often negotiate a lower sale price by employing a buyer’s broker who works for you, not the seller. If the buyer’s broker or the broker’s firm also lists properties, there may be a conflict of interest, so ask them to tell you if a property is one of their listings.)

Lawyers can help you with certain legal implications of your investments, such as real estate or partnerships. They also may provide financial advice because some are certified financial planners. Choose a lawyer that has the expertise you need (e.g., real estate, family law, estate planning).

Certified public accountants and **accountants** (and some highly qualified tax preparers) can answer questions about the income tax consequences of your investments and help you submit your tax return to the Internal Revenue Service. Like lawyers, they also may offer comprehensive financial advice. Many CPAs have a personal finance specialization, designated by the letters PFS. Another recommended tax preparation professional is an enrolled agent.

Employee benefit counselors at your place of work can help you with decisions related to retirement accounts, if any, available through your employer.

Life insurance agents can sell you insurance products (e.g., annuities, whole life insurance, universal life), which have an investment component. Most life insurance agents are trained by the company whose products they sell and may not be knowledgeable about all investment options available to you. Some also may have additional training through the insurance industry and have earned the CLU (Chartered Life Underwriter) designation.

Estate planners can help with a strategy for management of your assets at the time of your death. Many estate planners hold the AEP (Accredited Estate Planner) designation, but they are not qualified to prepare legal documents, such as wills, trusts, and powers of attorney. Only a lawyer is qualified for that.

Investment advisers (a.k.a., financial consultants) can give you advice on securities (e.g., stocks, bonds) and must be registered with the Securities and Exchange Commission or a state

Understanding Professional Designations: What Do the Letters Mean?

Although credentialing for financial planners is not required by federal or state law, you should expect persons calling themselves professionals to have the appropriate educational background, have significant professional experience, be licensed by the appropriate government regulatory agency and have a commitment to helping others. A number of certifications and designations exist:

Certified Financial Planner (CFP) is probably the best-known certification in the field of financial planning. CFP licensees pass examinations in risk management, investments, tax planning, retirement planning and estate planning. They also must have a minimum level of three years work experience, continue to update their knowledge in the field and adhere to a prescribed code of ethics. CFP licensees are certified by the Certified Financial Planner Board of Standards Inc.

Chartered Financial Analyst (CFA) designations are awarded by the Association for Investment Management and Research (AIMR). Three levels of examinations can be taken. For example, the first level includes understanding investment analysis and management, financial markets, portfolio management and securities law.

Chartered Financial Consultants (ChFC) complete courses in economics, investments, insurance, taxation and related areas from the American College in Bryn Mawr, Pennsylvania.

Personal Financial Specialist (PFS) designations are obtained by some certified public accountants (CPAs). Additional specialized education is needed and other requirements established by the American Institute of CPAs must be met. CPAs with the PFS designation provide a broad range of personal financial services that may include investment advice.

Accredited Financial Counselors (AFC) must pass two examinations, one in personal finance and one in financial counseling and subscribe to the AFC code of ethics.

Adapted by: Jeanette Tucker, Ph.D., LSU AgCenter	Originally developed by: Dena Wise, Ph.D., University of Tennessee Extension
Additional Resources: http://www.finra.org/Investor/Resources/Designations	
 <p>This material was made possible by a grant from the FINRA Investor Education Foundation</p>	<p style="text-align: center;">Visit our Web site www.lsuagcenter.com</p> <p>Louisiana State University Agricultural Center, William B. Richardson, Chancellor Louisiana Agricultural Experiment Station, David Boethel, Vice Chancellor and Director Louisiana Cooperative Extension Service, Paul D. Coreil, Vice Chancellor and Director Pub. Misc 50 11/09</p> <p>Issued in furtherance of Cooperative Extension work, Acts of Congress of May 8 & June 30, 1914, in cooperation with the United States Department of Agriculture. The Louisiana Cooperative Extension Services provides equal opportunities in programs and employment.</p>

For information about additional professional designations, consult the "Understanding Professional Designations" database at www.finra.org.

securities agency. The registry designation is RIA (Registered Investment Adviser). Investment advisers cannot sell securities products without a securities license, but being registered does not guarantee competence.

Stock brokers may sell you a wide variety of investment products. Large national or regional firms may have special programs for the beginning investor. Brokers may either be full-service or discount. Full-service brokers can provide good financial advice. Discount brokers, who get their name because sales commissions are discounted, sometimes as much as 70%, are useful if you know what you want to purchase. They generally do not offer advice. Stock brokers are licensed by the state(s) in which they buy and sell securities, and they must be registered with a company that is a member of the Financial Industry Regulatory Authority (FINRA) and pass FINRA-administered securities exams. FINRA maintains the Central Registration Depository (CRD), also known as BrokerCheck where you can check to see if your broker is registered to sell securities.

Financial planners consider your total financial situation to develop a comprehensive plan. This involves taking a "snapshot" of where you are now via a net worth statement, identifying where you want to be financially (e.g., buying a house, financing a child's college education, living comfortably in retirement) and developing recommendations to help close the gap between what you have now and what you need to meet your life's goals. Financial planners look at meeting short- and long-term financial goals and managing risk with insurance, investments, tax planning, retirement planning and estate planning. Making decisions about one area, such as saving for retirement, has implications for other areas, such as tax planning and investment choices. Working with someone who can give you the complete picture, and can call on specialized experts (e.g., lawyers, accountants) when needed, has its advantages for some people.

Though credentialing for financial planners is not required by federal or state law, it is recommended you seek someone who has met certain standards set by well-recognized organizations. The best known credential is CFP (certified financial planner), which is administered by the Certified Financial Planner Board of Standards in Denver (www.cfp-board.org). A chartered financial consultant (ChFC) has successfully completed courses from the American College in Bryn Mawr, Pennsylvania. For financial planners who sell or manage assets, being registered with the SEC or the state where they practice is required.

Adapted by: Jeanette Tucker, Ph.D., LSU AgCenter	
Originally developed by: Jane Schuchardt, Ph.D., Investing for Your Future (2002).	
 <p>FINRA Investor Education FOUNDATION</p> <p>This material was made possible by a grant from the FINRA Investor Education Foundation</p>	<p>Visit our Web site www.lsuagcenter.com Louisiana State University Agricultural Center, William B. Richardson, Chancellor Louisiana Agricultural Experiment Station, David Boethel, Vice Chancellor and Director Louisiana Cooperative Extension Service. Paul D. Coreil, Vice Chancellor and Director Pub. Misc 50 11/09 Issued in furtherance of Cooperative Extension work, Acts of Congress of May 8 & June 30, 1914, in cooperation with the United States Department of Agriculture. The Louisiana Cooperative Extension Services provides equal opportunities in programs and employment.</p>

Choosing Your Team of Financial Professionals

Choosing your team of financial professionals, and especially those who may advise you on investment decisions, takes some comparison shopping. Here's a six-step process that can help you find the financial professional that is best for you.

STEP 1. Get some names.

You can check the yellow pages of your phone book, but a better idea is to work from referrals. Ask your friends, work colleagues and family members for their recommendations. You also can contact professional organizations for names of professionals practicing in your area. To do this, call toll-free, or check their Web sites.

- **Financial Planning Association (FPA)**, 1-800-282-PLAN or 1-888-806-PLAN or www.fpanet.org
- **National Association of Personal Financial Advisors**, 1-888-FEE-ONLY or www.napfa.org
- **American Institute of Certified Public Accountants**, Personal Financial Planning Division, 1-800-862-4272 or www.cpapfs.org/
- **Society of Financial Service Professionals**, 1-800-392-6900 or www.financialpro.org

STEP 2. Make some calls.

Ask to have information sent to you in writing, including the names of a couple of satisfied clients. You can get a good feel for how a financial professional will work with you by the way that person treats you on the phone and through the mail. Pay special attention to the financial professionals' credentials.

STEP 3. Check out references.

Call to see if the person is licensed. For example, all stock brokers must register with Financial Industry Regulatory Authority (FINRA) and are listed in the Central Registration Depository (CRD). Call FINRA or your state securities regulator to see if the broker is registered, and ask if there are any disciplinary actions on file. Here are some numbers to call to check for disciplinary action taken against a financial professional:

- **Certified Financial Planner Board of Standards**, 1-888-CFP-MARK
- **North American Securities Administrators Association**, 202-737-0900
- **National Association of Insurance Commissioners**, 816-842-3600
- **Financial Industry Regulatory Authority (FINRA)**, 1-800-289-9999
- **U.S. Securities and Exchange Commission**, 1-800-732-0330

STEP 4. Set up a face-to-face meeting and ask some questions.

1. How long have you been a financial planner? What other related experience do you have?
2. What are your professional credentials and affiliations?
3. What is your investment philosophy? (You will feel most comfortable with a financial professional whose recommendations are driven by YOUR tolerance for risk and other preferences, not his or hers.)
4. How will we work together (e.g., by phone, electronically, in person) and how frequently?
5. What services do you offer?
6. What can I expect from you?
7. What will it cost and how are you paid?
8. Who will work with me (e.g., the person you are interviewing or a business associate)?
9. May I see a sample financial plan?
10. Are you registered with state or federal regulators?

STEP 5. Ask yourself, "Do I feel comfortable with this person?"

Working with a financial professional to make investment decisions requires a relationship of mutual trust and respect. You must feel the financial professional has your best interests in mind and will be responsive to your needs. You must feel completely confident that this person will treat your situation with strictest confidence and act in a professional manner at all times. You must feel that this professional relationship, putting the effects of market volatility aside, will leave you better off than before.

STEP 6. Make the decision.

Ask for a written agreement that details the services to be provided. Demand the best. Keep up your end of the relationship by providing prompt and accurate information about your current financial situation, your short- and long-term financial goals and your tolerance for investment risk. Advisers are required, by law, to make recommendations that are suitable for you, so they need to know a lot about you and your objectives.

Made available by: Jeanette Tucker, Ph.D., LSU AgCenter	
Originally developed by: Rutgers University Extension Service	
 <p>FINRA Investor Education FOUNDATION</p> <p>This material was made possible by a grant from the FINRA Investor Education Foundation</p>	<p>Visit our Web site www.lsuagcenter.com</p> <p>Louisiana State University Agricultural Center, William B. Richardson, Chancellor Louisiana Agricultural Experiment Station, David Boethel, Vice Chancellor and Director Louisiana Cooperative Extension Service. Paul D. Coreil, Vice Chancellor and Director Pub. Misc 50 11/09</p> <p>Issued in furtherance of Cooperative Extension work, Acts of Congress of May 8 & June 30, 1914, in cooperation with the United States Department of Agriculture. The Louisiana Cooperative Extension Services provides equal opportunities in programs and employment.</p>



Worksheet for Selecting a Broker

Prospective Broker's Name and Central Registration Depository (CRD) Number: _____

Firm name: _____

Address of the closest branch: _____

Type of firm (discount, full service, online, etc.): _____

Prospective broker's direct number: _____

Firm's toll-free number: _____

Ask the Broker:

Are you registered with FINRA? _____

Is your firm a FINRA member? _____

How long have you worked in the securities industry? _____

How long as a retail broker? _____

Are you/your firm licensed to do business in Louisiana? _____

What services will you provide?

How much will it cost? _____

How are you paid? Would you explain your commission? _____

What is your philosophy of investing? _____

What kinds of stocks/bonds/funds are you recommending?

Can you give me some examples of how you helped or advised other clients in situations similar to mine (e.g. young investor, single parent, etc.)?

How often can I expect to talk to you? _____

Would you provide me with a list of your customers who would serve as a reference and their phone numbers? If possible, I'd like to speak with people whose situation is similar to mine.

Ask Friends or References:

How long have you done business with this broker?

How much or how little guidance did the broker give you?

Did you ever have a problem with the account and if so, how well did the broker/ firm handle it?

Be sure to:

- Ask for a copy of the account agreement (to read in advance of opening the account).
- Get the firm's fee structure/commission schedule in writing.
- Call FINRA's Public Disclosure Number for disciplinary histories on prospective brokers.

Adapted by: Jeanette Tucker, Ph.D., LSU AgCenter	Originally developed by: Dena Wise, Ph.D., University of Tennessee Extension
Reference: Women and Investing: It's Your Money, NASD, 1999	
 <p>This material was made possible by a grant from the FINRA Investor Education Foundation</p>	<p>Visit our Web site www.lsuagcenter.com Louisiana State University Agricultural Center, William B. Richardson, Chancellor Louisiana Agricultural Experiment Station, David Boethel, Vice Chancellor and Director Louisiana Cooperative Extension Service. Paul D. Coreil, Vice Chancellor and Director Pub. Misc 50 11/09 Issued in furtherance of Cooperative Extension work, Acts of Congress of May 8 & June 30, 1914, in cooperation with the United States Department of Agriculture. The Louisiana Cooperative Extension Services provides equal opportunities in programs and employment.</p>

How to Avoid Investment Fraud

To invest wisely and avoid investment scams, research each investment opportunity thoroughly and ask questions. Get the facts *before* you invest, and only invest money you can afford to lose. You can avoid investment scams by asking – and getting answers to – these three simple questions:

1. Is the investment registered?

Many investment scams involve unregistered securities. So you should always find out whether the company has registered its securities with the Securities and Exchange Commission (SEC) or your state securities regulators. You can do this by checking the SEC's Electronic Data Gathering, Analyses and Retrieval (EDGAR) database.

Some smaller companies don't have to register their securities offerings with the SEC, so always check with your state securities regulator. You'll find the number for your state securities regulator in the government section of your phone book. In Louisiana, the state securities regulator can be accessed at the Louisiana Office of Financial Institutions (225-925-4660) or visit www.ofi.louisiana.gov/. You also may call the North American Securities Administrators Association (NASAA) at 202-737-0900 or visit NASAA's Web site at www.nasaa.org. One simple phone call can make the difference between investing in a legitimate business or squandering your money on a scam.

2. Is the person licensed and law-abiding?

Find out whether the person or firm selling the investment is properly licensed in your state and whether they've had run-ins with regulators or received serious complaints from investors. This information is available from the Financial Industry Regulatory Authority's Central Registration Depository (CRD), a computerized database also known as BrokerCheck that contains information about most brokers, some investment advisers, their representatives and the firms they work for. The CRD/BrokerCheck also contains information about the broker's educational background and previous employment history.

You can get CRD/BrokerCheck information from your state securities regulator. Or call the FINRA public disclosure hotline at 1-800-289-9999 or visit their Web site at www.finra.org/brokercheck. Your state securities regulator may provide more information from the CRD than FINRA, especially when it comes to investor complaints, so you may want to check with them first.

3. Does the investment sound too good to be true?

If it does, it probably is. High-yield investments tend to involve extremely high risk. Never invest in an opportunity that promises "guaranteed" or "risk-free" returns. Watch out for claims of astronomical yields in a short period of time. Be skeptical of "offshore" or foreign investments. And beware of exotic or unusual sounding investments. Make sure you fully understand the investment before you part with your hard-earned money. Always ask for – and carefully read – the company's prospectus. You should also read the most recent reports the company has filed with its regulators and pay attention to the company's financial statements, particularly if they do not say they have been audited or certified by an accountant.

The SEC has spelled out all the questions you'll need to ask in the following publications: "Ask Questions, Internet Fraud and Microcap Stock." When you ask these questions, write down the answers you received and what you decided to do. If something goes wrong, your notes can help to establish what was said. Let your broker or investment adviser know you're taking notes. They'll know you're a serious investor and may tell you more – or give up trying to scam you. The SEC has developed "Form for Taking Notes" to help you. You can get these and other useful publications on the Investor Information section of the SEC's Web site at www.sec.gov or by calling 1-800-SEC-0330.

Adapted by: Jeanette Tucker, Ph.D., LSU AgCenter

Originally developed by : Dena Wise, Ph.D., University of Tennessee Extension



This material was made possible by a grant from the FINRA Investor Education Foundation

Visit our Web site www.lsuagcenter.com

Louisiana State University Agricultural Center, William B. Richardson, Chancellor
Louisiana Agricultural Experiment Station, David Boethel, Vice Chancellor and Director
Louisiana Cooperative Extension Service, Paul D. Coreil, Vice Chancellor and Director
Pub. Misc 50 11/09

Issued in furtherance of Cooperative Extension work, Acts of Congress of May 8 & June 30, 1914, in cooperation with the United States Department of Agriculture. The Louisiana Cooperative Extension Services provides equal opportunities in programs and employment.