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investment[2,noun]
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Main Entry: ^{2}**investment**
Function: *noun*
Etymology: ^{2}*invest*
: the outlay of money usually for income or profit **:** capital outlay; *also* **:** the sum invested or the property purchased

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investment

Investment advisor

From Wikipedia, the free encyclopedia

An **investment advisor** (or investment adviser) is an individual or firm that advises clients on investment matters on a professional basis.

They tend to fall into two distinct categories:

- investment advisors offering direct financial advice to individuals or businesses, or
- investment advisors offering asset management for (typically) corporate clients, hedge funds and/or mutual funds.

Depending on the nature of the relationship, investment advisors charge fees calculated as a percentage (e.g., 1%) of assets under management (see: fee-only financial advisor), on an annual basis, an hourly or on a "flat fee" basis.

Contents

United States

In the United States whether a firm should be registered as an investment advisor with the SEC or a state is typically determined by the amount of assets receiving continuous and regular supervisory or management services (AUM). In order for a firm to register with the SEC, the firm must have over $25 million of AUM at the time of registration or within 120 days of the effective date of the registration. If a firm has less than $25 million of AUM and doesn't anticipate having $25 million or more within 120 days of the effective date of the registration, then it must register with the individual state(s) as an investment advisor. If a firm has $30 million or more of AUM, then it must register with the SEC. Firms with more than $25 million and less than $30 million of AUM can be registered with either the state or SEC. The SEC's definition of AUM is outlined in the Form ADV Part 1 and should be thoroughly reviewed and consulted prior to beginning the registration process.

Common examples of investment advisors include hedge fund managers, pension fund managers, mutual fund managers, trust fund managers and also individuals, partnerships, or corporations which have registered under the Act, and those who fall within certain exemptions. Stock brokers (known as "registered representatives" under U.S. federal law and licensed in the various states are not necessarily (and normally are not) registered investment advisors.

In general, under U.S. law, investment advisors owe their clients an ongoing fiduciary duty to provide full and complete disclosure of all fees, conflicts of interest, and if so authorized, to exercise discretion in selecting investments with only their clients' best interests in mind.

In many cases, a registered investment advisor (RIA) is a corporation or partnership while the person actually providing the advice is an investment advisor representative (IAR) of the advisor organization. Investment advisor representatives and individuals registered as investment advisors are sometimes certified as a Certified Financial Planner (CFP) practitioner by the Certified Financial Planner Board of Standards, Inc. [1] (http://www.cfp.net/) or a Chartered Financial Analyst(CFA) holding a charter from the CFA Institute [2] (http://www.cfainstitute.org/index.html) after they have passed the appropriate examinations, have agreed to abide by a code of ethics, and have maintained the required continuing education credits. The CFP and CFA credentials are not, however, required for registration as a registered investment advisor.

The registration process to become an investment advisor is becoming increasingly complex, with examination reguirements, books and record retention and increased state regulation of smaller investment advisors. See, Registration of Investment Advisors [3] (http://www.seclaw.com/docs/RIAOverview.htm) [4] (http://www.ria-compliance-consultants.com/faq.html#3).

United Kingdom

In the United Kingdom investment advice is given either by a financial advisor or a stock broker.

Financial advisors need to pass an exam to practice (Financial Planning Certificate) and are authorised by the Financial Services Authority, a UK government qango that needs to be satisfied the advisor is a "fit and proper person" before he/she can practice.

Financial advisors are either tied, multi-tied, or independent.

As the classifications suggest a tied advisor can only recommend financial products marketed by the company he or she represents. Typically that company employs him or her but in some cases he or she can work for that organisation under a type of self employed contract that usually precludes other paid work of any kind.

A multi-tied agent performs a similar role except that he or she represents a number of different companies. This is sometimes referred to as the panel system.

An Independent Financial Adviser must offer whole of market advice and, in addition, must offer prospective clients the choice of paying a fee for advice, rather than being remunerated via commission from the financial product provider.

Tied and multi-tied advisors are nearly always rewarded via commission although in some cases (and if the advisor is employed rather than self employed) commission may be expressed in notional terms to justify a salary.

In the UK there has been much debate in the media about the effectiveness of financial advisors, especially in situations where there is perceived bias toward certain products which offer high commission.

There are issues of client accountability as the advisor — either tied or independent — has a moral duty to achieve this for clients. *Best advice* is difficult to achieve if the advisor is not independent; therefore a type of compromise exists where a tied or multi-tied advisor must recommend the most appropriate financial product available to him or her to suit their clients needs even if a more appropriate product is available in the market place.

In the UK many believe that impartial advice can be obtained only by consulting an independent financial advisor.

See also

- Stock broker
- Stock trader
- Collective investment schemes
- Mutual funds
- Financial advisor
- Fee-only financial advisor
- Socially responsible investing
- Collective investment schemes

External links

- AAFM (http://www.financialanalyst.org/) American Academy of Financial Management
- AIFA (http://www.aifa.net/) Association of Independent Financial Advisers - UK Trade body
- FSA website (http://www.fsa.gov.uk/) Financial Services Authority (UK)
- NAIFA (http://www.naifa.org/) National Association of Insurance & Financial Advisors
- SECLaw.com (http://www.seclaw.com/centers/brocent.shtml) Financial Advisor Legal Information Center
- Registered Investment Advisor Compliance Consultants (http://www.ria-compliance-consultants.com/the_regulatory_maze.html) Navigating the Regulatory Maze for Investment Advisors

Retrieved from "http://en.wikipedia.org/wiki/Investment_advisor"

Category: Financial services companies

U.S. Securities and Exchange Commission

Investment Advisers: What You Need to Know Before Choosing One

The SEC receives many questions about investment advisers—what they are and how to go about choosing one. This document answers some of the typical questions we receive from investors about investment advisers. This Q&A is for the benefit of investors. You should not rely on it to determine if you need to register as an investment adviser.

Q: What is an investment adviser?

A: Investment advisers are in the business of giving advice about securities to clients. For instance, individuals who receive compensation for giving advice on investing in stocks, bonds, or mutual funds, are investment advisers. Some investment advisers manage portfolios of securities.

Q: What is the difference between an investment adviser and a financial planner?

A: Most financial planners are investment advisers, but not all investment advisers are financial planners. Some financial planners assess every aspect of your financial life—including saving, investments, insurance, taxes, retirement, and estate planning—and help you develop a detailed strategy or financial plan for meeting all your financial goals.

Others call themselves financial planners, but they may only be able to recommend that you invest in a narrow range of products, and sometimes products that aren't securities.

Before you hire any financial professional, you should know exactly what services you need, what services the professional can deliver, any limitations on what they can recommend, what services you're paying for, how much those services cost, and how the adviser or planner gets paid.

Q: What questions should I ask when choosing an investment adviser or financial planner?

A: Here are some of the questions you should always ask when hiring any financial professional:

- What experience do you have, especially with people in my circumstances?
- Where did you go to school? What is your recent employment history?
- What licenses do you hold? Are you registered with the SEC, a state, or the NASD?

- What products and services do you offer?
- Can you only recommend a limited number of products or services to me? If so, why?
- How are you paid for your services? What is your usual hourly rate, flat fee, or commission?
- Have you ever been disciplined by any government regulator for unethical or improper conduct or been sued by a client who was not happy with the work you did?
- For registered investment advisers, will you send me a copy of both parts of your Form ADV?

Be sure to meet potential advisers "face to face" to make sure you get along. And remember: there are many types of individuals who can help you develop a personal financial plan and manage your hard-earned money. The most important thing is that you know your financial goals, have a plan in place, and check out the professional you chose with your securities regulator.

Q: How do investment advisers get paid?

A: Before you hire any financial professional—whether it's a stockbroker, a financial planner, or an investment adviser—you should always find out and make sure you understand how that person gets paid. Investment advisers generally are paid in any of the following ways:

- A percentage of the value of the assets they manage for you;
- An hourly fee for the time they spend working for you;
- A fixed fee;
- A commission on the securities they sell; or
- Some combination of the above.

Each compensation method has potential benefits and possible drawbacks, depending on your individual needs. Ask the investment advisers you interview to explain the differences to you before you do business with them, and get several opinions before making your decision. Also ask if the fee is negotiable.

Q: Do investment advisers have to register with the U.S. Securities and Exchange Commission?

A: Depending on their size, investment advisers have to register with either the SEC or the state securities agency where they have their principal place of business. For the most part, investment advisers who manage $25 million or more in client assets must register with the SEC. If they manage less than $25 million, they must register with the state securities agency in the state where they have their principal place of business.

Q: How do I find out whether an investment adviser ever had problems with a government regulator or has a disciplinary history?

A: Most investment advisers must fill out a form called "Form ADV." They must file their Form ADVs with either the SEC or the state securities agency in the state where they have their principal place of business, depending on the amount of assets they manage.

Form ADV consists of two parts. Part 1 contains information about the adviser's education, business, and whether they've had problems with regulators or clients. Part 2 outlines the adviser's services, fees, and strategies. Before you hire someone to be your investment adviser, always ask for, and carefully read, both parts of Form ADV.

You can get copies of Form ADV from the investment adviser, your state securities regulator or the SEC, depending on the size of the adviser. You can find out how to get in touch with your state securities regulator through the North American Securities Administrators Association, Inc.'s web site or by calling (202) 737-0900. Ask your state securities regulator whether they've had any complaints about the adviser, and ask them to check the CRD.

If the SEC registers the investment adviser, you can get the Form ADV by sending an email to the SEC's Office of Investor Education and Assistance at publicinfo@sec.gov. You also can make a request by sending a fax to (202) 777-1027. Please note that you will have to pay a photocopying charge of $0.24 per page, plus tax and postage. In addition, at the SEC's headquarters, you can visit our Public Reference Room from 10:00 a.m. to 3:00 p.m. to obtain copies of SEC records and documents.

Q: What should I do if the financial professional claims that he or she is "certified"?

A: If the professional you're considering claims to be a CFP® certificant, you should also visit the website of the Certified Financial Planner Board of Standards, Inc. to see if the professional is, in fact, certified as a CFP® professional and whether the professional's certification has been suspended or revoked by the CFP Board. You can also call the CFP Board at (888) 237-6275 to obtain other disciplinary information about the professional.

Q: Are investment advisers required to have credentials?

A: While some investment advisers and financial planners have credentials -- such as CFP® certification or CFA (chartered financial analyst) -- no state or federal law requires these credentials. Unlike federally registered advisers, many states do require their advisers and representatives to pass a proficiency exam or meet other requirements.

Investment advisers and financial planners may come from many different educational and professional backgrounds. Before you hire a financial professional, be sure to ask about their background. If they have a credential, ask them what it means and what they had to do to earn it. Also, find out what organization issued the credential, and then contact the organization to verify whether the professional you're considering did, in fact, earn the credential and whether the professional remains in good standing with the organization. For information on various financial professional credentials and the entities that issue them, please visit NASD's website and read Understanding Financial Professional

Designations.

Conclusion

For more information about choosing investment advisers see Get the Facts: The SEC's Roadmap to Saving and Investing, *Invest Wisely*: Advice from your Securities Regulators and Ask Questions.

http://www.sec.gov/investor/pubs/invadvisers.htm

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International Glossary of Business Valuation Terms

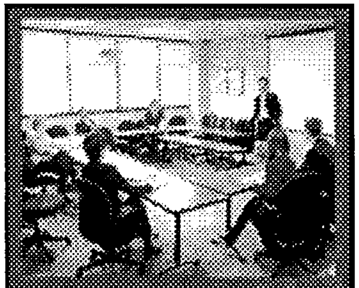
To enhance and sustain the quality of business valuations for the benefit of the profession and its clientele, the societies and organizations identified below have adopted the definitions for the terms included in this glossary.

The performance of business valuation services requires a high degree of skill, and imposes upon the valuation professional a duty to communicate the valuation process and conclusion in a manner that is clear and not misleading. This duty is advanced through the use of terms whose meanings are clearly established and consistently applied throughout the profession.

If, in the opinion of the business valuation professional, one or more of these terms needs to be used in a manner which materially departs from the enclosed definitions, it is recommended that the term be defined as used within that valuation engagement.

This glossary has been developed to provide guidance to business valuation practitioners by further memorializing the body of knowledge that constitutes the competent and careful determination of value and, more particularly, the communication of how that value was determined.

Departure from this glossary is not intended to provide a basis for civil liability and should not be presumed to create evidence that any duty has been breached.



American Institute of Certified Public Accountants
American Society of Appraisers
Canadian Institute of Chartered Business Valuators
National Association of Certified Valuation Analysts
The Institute of Business Appraisers

Business Risk—the degree of uncertainty of realizing expected future returns of the business resulting from factors other than financial leverage. See Financial Risk.

Business Valuation—the act or process of determining the value of a business enterprise or ownership interest therein.

Capital Asset Pricing Model (CAPM)—a model in which the cost of capital for any stock or portfolio of stocks equals a risk-free rate plus a risk premium that is proportionate to the systematic risk of the stock or portfolio.

Capitalization—a conversion of a single period of economic benefits into value.

Capitalization Factor—any multiple or divisor used to convert anticipated economic benefits of a single period into value.

Capitalization of Earnings Method—a method within the income approach whereby economic benefits for a representative single period are converted to value through division by a capitalization rate.

Capitalization Rate—any divisor (usually expressed as a percentage) used to convert anticipated economic benefits of a single period into value.

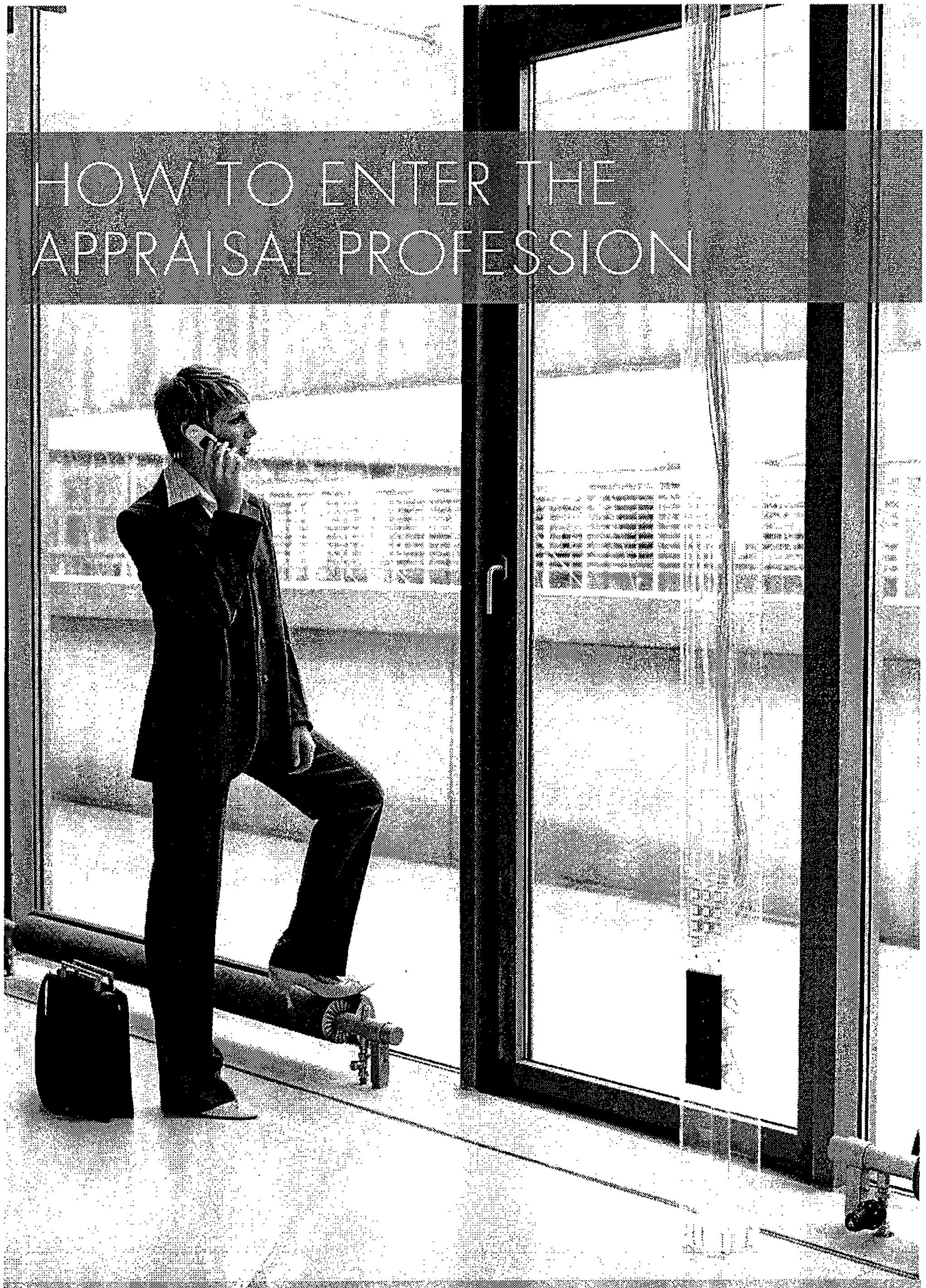
Capital Structure—the composition of the invested capital of a business enterprise; the mix of debt and equity financing.

Cash Flow—cash that is generated over a period of time by an asset, group of assets, or business enterprise. It may be used in a general sense to encompass various levels of specifically defined cash flows. When the term is used, it should be supplemented by a qualifier (for example, "discretionary" or "operating") and a specific definition in the given valuation context.

Common Size Statements—financial statements in which each line is expressed as a percentage of the total. On the balance sheet, each line item is shown as a percentage of total assets, and on the income statement, each item is expressed as a percentage of sales.

Control—the power to direct the management and policies of a business enterprise.

HOW TO ENTER THE APPRAISAL PROFESSION



THE APPRAISAL FOUNDATION

Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

This publication is intended to provide basic information to individuals who are considering a career in the appraisal profession.

This brochure is published as a public service by The Appraisal Foundation, a non-profit educational organization dedicated to the promulgation of professional appraisal standards and appraiser qualifications for all appraisal disciplines. The Foundation accomplishes this mission through the work of two independent Boards, the Appraiser Qualifications Board (AQB) and the Appraisal Standards Board (ASB). In 1989 the U.S. Congress enacted legislation that gave specific responsibilities to these two boards relating to the minimum criteria an appraiser must meet and the minimum performance standards to which they must adhere.

FREQUENTLY ASKED QUESTIONS

What is an appraiser?

An appraiser is one who develops and reports an opinion of value on a specific type of property. Appraisers may opt to specialize in various disciplines such as:

- Real Property appraisal, which is the valuation of real estate. Real Property appraisers can choose specialties to practice within such as residential, commercial and agricultural.
- Personal Property appraisal, which encompasses all types of personal property such as fine and decorative arts, antiques, gems and jewelry, and machinery and equipment.
- Business Valuation which is the valuing of businesses including all tangible and intangible assets ranging from the value of the equipment to the value of the business name or logo.
- Mass Appraisal which encompasses techniques that are used when valuing multiple types of real property or personal property using generally recognized formulas.

While most appraisers choose to specialize in just one area of practice, many appraisers practice in more than one discipline.

What skills are required to become an appraiser?

All appraisers must have good analytical skills and work well with numbers. In addition, appraisers spend much time interacting with clients and writing reports, so good oral and written communications skills are a must.

Does the government regulate appraisers?

Currently, the government regulates only real property appraisers. The power of regulation currently rests with the individual states and territories that issue licenses and certificates to real property appraisers. In addition, each individual state appraiser regulatory agency is responsible for disciplining appraisers.

At this time, there are no immediate plans for the regulation of appraisers who specialize in other types of property.

How do I become an appraiser?

The process of becoming an appraiser differs according to the various appraisal disciplines. Most appraisers are required to have a certain number of hours of education and experience. In addition, if an appraiser wishes to become state licensed or certified in real property or if an appraiser wishes to become "designated" by an appraisal organization, they must also pass a comprehensive examination.

The Appraiser Qualifications Board (AQB) of The Appraisal Foundation establishes the following minimum criteria (current and as of 1/1/08) for state licensed/certified real property appraisers:

Category	Current Requirements[1]	1/1/08 Requirements[1, 2]	1/1/08 College-Level Course Requirements[3]
License	90 hours	150 hours	None
Certified Residential	120 hours	200 hours	Associate degree or higher. In lieu of the required degree, Twenty-one (21) semester credit hours covering the following subject matter courses: English Composition; Principles of Economics (Micro or Macro); Finance; Algebra, Geometry or higher mathematics; Statistics; Computer Science and Business or Real Estate Law.
Certified General	180 hours	300 hours	Bachelors degree or higher. In lieu of the required degree Thirty (30) semester credit hours covering the following subject matter courses: English Composition; Micro Economics; Macro Economics; Finance; Algebra, Geometry or higher mathematics; Statistics; Computer Science, Business or Real Estate Law; and two (2) elective courses in accounting, geography; agricultural economics; business management; or real estate.

1 Hours required include completion of the 15-hour National USPAP Course (or its equivalent).
2 Hours required include specific core curriculum courses and hours – please see the Real Property Appraiser Qualification Criteria for details.
3 College-level courses and degrees must be obtained from an accredited college or university.

For those seeking a real property credential: Please note that individual states may adopt requirements more stringent than the national requirements, and may opt to impose those requirements prior to January 1, 2008. Therefore, applicants for a real estate appraisal license or certification should always check with their state board for individual requirements.

For more information, please review the brochure entitled "How to Enter the Real Property Appraisal Profession," which is available on a complimentary basis from The Appraisal Foundation.

The AQB has also established voluntary minimum criteria for personal property appraisers.

	Experience Required	Education Required	Exam Required
Personal Property Appraiser Minimum Qualification Criteria	*1,800-4,500 Hours	120 hours	Yes

* Experience requirements range from 1,800 hours of personal property appraisal experience, of which 900 hours must be specialized, to 4,500 hours of market related personal property non-appraisal experience in areas of specialization.

Do I need a college degree to become an appraiser?

Appraisal education in the United States has typically been provided by professional appraisal organizations. Accordingly, at the present time it is not necessary to have a college degree in order to become an appraiser. Many appraisers choose to receive training through traditional methods, such as through professional appraisal organizations. It should be noted that some of these associations require a college degree for their advanced designations. On an increasing basis, appraisers are supplementing their education through courses at the community college or university level.

With regard to real property appraisal, effective January 1, 2008, there are college-level education requirements for the Certified Residential and Certified General classifications. These requirements can be found in the *Real Property Appraiser Qualification Criteria* publication available from The Appraisal Foundation.

What is an appraisal "designation"?

An appraisal designation is awarded by one of many professional trade organizations that represent appraisers (see listing of Appraisal Sponsors on the back panel). Designations are awarded after an individual has completed a specific course of appraiser training through an organization. Each organization offers multiple designations in differing fields or specialties.

How do I become a designated appraiser?

You will need to contact one of the many professional organizations representing appraisers regarding membership and the course of action for membership and designation requirements.

Why should I join a professional appraisal organization?

A professional appraisal organization provides appraisers with the opportunity to network with other professionals, to keep abreast of pertinent issues such as regulatory changes, and to receive continuing education.

How do I obtain trainee experience?

Trainee experience can be gained by aligning yourself with a professional, established appraiser as an apprentice or a trainee. Many appraisers work as an apprentice while completing the required education. Many states have formal trainee programs for real property appraisers.

What is the demand for qualified appraisers?

There is a wide array of clients that use appraisals such as lenders, insurance companies, attorneys, governments, museums and tax assessors.

What is The Appraisal Foundation?

The Appraisal Foundation is a non-profit educational organization dedicated to the promulgation of professional appraisal standards and appraiser qualifications for all appraisal disciplines. The Foundation accomplishes this mission through the work of two independent Boards, the Appraiser Qualifications Board (AQB) and the Appraisal Standards Board (ASB).

Why should I be interested in the work of The Appraisal Foundation?

The Appraisal Foundation, through its Appraisal Standards Board (ASB), publishes the *Uniform Standards of Professional Appraisal Practice* (USPAP), which is the generally accepted set of performance standards for appraisers. It is these standards that are enforced by state governments and various professional appraisal organizations. In addition, the minimum qualifications for certain appraisal disciplines are established by the Appraiser Qualifications Board (AQB) of the Foundation.

Who are the Appraisal Sponsors of The Appraisal Foundation?

The organizations listed on the next panel meet certain criteria to be a Sponsor and also provide financial support and advice to the Foundation. Appraisal Sponsors are non-profit appraisal organizations. Affiliate Sponsors are non-profit organizations with an interest in valuation. All of our Appraisal Sponsors offer educational programs and represent the interests of appraisers.

APPRAISAL SPONSORS

American Society of Appraisers
703.478.2228
www.appraisers.org

American Society of Farm Managers & Rural Appraisers
303.758.3513
www.asfmra.org

Appraisal Institute
312.335.4100
www.appraisalinstitute.org

Appraisers Association of America
212.889.5404
www.appraisersassoc.org

International Association of Assessing Officers
816.701.8100
www.iaao.org

International Right of Way Association
310.538.0233
www.irwaonline.org

Massachusetts Board of Real Estate Appraisers
781.329.1996
www.mbrea.org

National Association of Independent Fee Appraisers
312.321.6830
www.naifa.com

National Association of Master Appraisers
800.229.6262
www.masterappraisers.org

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www.fccouncil.com

Mortgage Insurance Companies of America
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www.privatemi.com
www.micanews.com

National Association of Realtors
800.874.6500
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