

# What is an Investment Advisor?

A hundred years ago, only the most affluent Americans (think Rockefeller, Vanderbilt, etc.) worked with investment advisors to plan their wealth. Most other citizens who wanted to invest in the stock market did so through a stockbroker. In recent decades, a dramatic increase in affluence among American investors and a decline in employer-funded pension plans resulted in a whole new class of high-net-worth investors with complex financial services needs.

The financial services industry recognized this development and responded with the creation of an astounding array of investment options and strategies designed to address everything from retirement planning to estate planning. Likewise, the investment advisory profession expanded to help investors sort through these options and create a personalized investment plan, custom built to address personal needs and financial goals.

With all of this in mind, perhaps the best way to explain the role of an investment advisor is to explain what it is not. Investment advisors are not traditional stockbrokers. A quick comparison of these very different financial services professionals will help clarify their roles.

## The Differences Between a Traditional Stockbroker and an Investment Advisor

	<b>Traditional Stock Broker</b>	<b>Investment Advisor</b>
<i>Goal</i>	To sell a product	To form a long-term relationship with a client
<i>Investment Objective</i>	Buy low, sell high	Achieve client's long-term financial goals
<i>Focus</i>	Product	Process
<i>Time Horizon</i>	Short-term	Multi-generational
<i>Point of View</i>	Based on a single investment	Based on client's total portfolio
<i>Compensation</i>	Based on commission sales	Fee-based or sometimes fee/commission combination based on investment vehicles selected
<i>How to Get a Raise</i>	Sell more	Help clients increase the value of their investment assets
<i>Value to Client</i>	Helps you make a purchase	Helps you plan for the future
<i>Required Skills</i>	Sales	Thorough understanding of the concepts, practices, strategies, investment vehicles, and statistical realities of long-term investing
<i>Method of Building Practice</i>	Promote "hot" products	Provide excellent service to earn referrals