WORKING WITH AN INDEPENDENT INVESTMENT ADVISOR FIRM: THE DIFFERENCE BETWEEN ADVISORY AND BROKERAGE

Your financial advisor provides investment advisory services through an investment Advisor Firm that is not affiliated with LPL Financial. However, your financial advisor can offer brokerage services through LPL Financial, a registered broker/dealer.

What's the Difference Between Advisory and Brokerage Services?

Advisory services are typically ongoing and may include holistic financial planning, paid for through an ongoing fee calculated as a percentage of the assets in your advisory account. Brokerage services involve transactions such as securities trades made in your brokerage account, and are paid for through a commission on trades.

When your financial advisor provides advisory services, the Advisor Firm is responsible for the investment advice, which includes the selection of securities and/or investment strategies and the ongoing monitoring of your advisory account based on your financial needs and objectives. When your financial advisor provides brokerage services, LPL Financial is responsible for the securities recommendations and transactions in your brokerage account.

What Other Roles Can LPL Financial Fulfill?

Within your advisory accounts, LPL Financial can serve as the account custodian and executing broker/dealer (meaning it executes the trades directed by your Advisor Firm), and send you trade confirmations and periodic account statements. In addition, your financial advisor and Advisor Firm may provide advisory services through an LPL Financial–sponsored advisory program (for example, Optimum Market Portfolios [OMP] or Model Wealth Portfolios [MWP]).

It's very important to read and understand the account agreements and disclosures you receive when you open an account. Those documents explain in greater detail these roles and responsibilities and the services provided by your Advisor Firm and LPL Financial. Keep in mind that your financial advisor can provide both advisory services and brokerage services under the same name.

Questions?

If you ever have questions about your financial advisor's roles and responsibilities, don't hesitate to ask them.