

	Insurance Agent	Broker	Registered Investment Advisor (RIA)
What Are They Like?	An insurance salesman (woman) paid mostly on commission to sell their company's proprietary products.	A financial salesman (woman) paid mostly on commission to sell their company's proprietary products.	An independent financial advisor paid mostly on a fee basis that cannot sell proprietary products to clients.
Who are some of the familiar names?	Northwestern Mutual, MetLife, Primerica	Merrill Lynch, Morgan Stanley, UBS	Currently, the RIA space is fragmented and many of them are locally or regionally focused.
How much do they usually charge?	Tend to be the most expensive financial advice in the marketplace. Fees and commissions can regularly approach 3.00-5.00% per year.	Often times above average in costs in the overall marketplace. A typical client may see an annual total cost of 1.50% - 2.50%.	The low-cost provider in personal financial services due to lack of corporate bureaucracy. Typical fees can range anywhere between 0.50% - 2.00%.
Who is their target client?	Insurance agents typically serve a client with little understanding of investments. These clients may have a hard time understanding the intricacies and high fees of the insurance products the agent is paid to promote.	Clients of a broker probably like to deal with a firm that has a well-known name in the marketplace. Unfortunately, the broker's badge comes with a steep price in the form of higher than average fees.	Varies; many RIAs are independent and focus on a niche while others have a wide variety of clients. RIAs tend to attract clients who value the advisor's advice and fiduciary responsibilities over the familiarity of a firm name.
What products do they offer?	Insurance Products, such as life insurance, homeowners insurance, and car insurance. They also sell annuities.	Individual stock investments, proprietary mutual funds, fixed income investments (most commonly bonds), and structured notes. For clients who don't mind one company's product and services, a broker may be a good fit. Brokerage companies are paid commissions to develop their own proprietary investment vehicles that may fit a certain niche. However, these products can be expensive and may be offered to the client at a bad time, such as the Internet fund promoted in 2000 at the height of the tech bubble.	Since an RIA is a fiduciary and must always put their clients' interests first, an RIA can bring a wide variety of investments to their clients from many different providers. These investments include individual stocks, mutual funds, fixed income, and alternative investment strategies.

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What shouldn't you buy from them?	<p>Insurance agents may promote a product that acts like an investment, or has some type of borrowing capability. These products are some of the most expensive financial vehicles in the marketplace today. Agents are not investment experts, and these products generally lack the return one should receive for paying such a high fee. Insurance agents also liberally recommend investors to purchase annuities, even when the client's need is questionable. An investor should think very carefully before entering into a contract they don't fully understand or that may sound too good to be true.</p>	<p>Solely proprietary products, or a wide range of financial products from the same company. Brokers are not held to a fiduciary standard and tend to sell clients an entire compliment of products offered by their brokerage, even though they may not be the best at delivering them. For example, a broker may offer investment advice, but their mortgage department is below average. The broker is banking on clients opting for the convenience of dealing with one firm over going through the trouble of finding the best mortgage provider. With this strategy, the broker tries to entangle the client in as many products and services as possible to make it difficult for the client to leave. Proprietary products may not be the best investment for your portfolio, but will provide your broker with the highest commission.</p>	<p>RIAs tend to have a planning focus; investment recommendations should come after a financial plan has been completed. The purpose of working with an RIA is to gain a completely objective and professional opinion. RIAs are not paid by commission, and are the only type of advisor required by law to provide the best investment for their clients. Because of this freedom, be cautious of buying too many obscure investments that you do not understand. Avoid buying insurance, as most RIA's specialize in investments. Also avoid RIA's that ask for custody of your investible assets to avoid potential fraud.</p>
The one question they don't want you to ask is...	<p>What is the total annual cost to work with you given the recommendations you have provided?</p>	<p>If you want me to buy all of these products and services from you, can you prove to me your firm is the very best at delivering in all of these areas?</p>	<p>If you are a smaller firm, how can I know my money is safe and that you have the breadth of products and services to meet my needs?</p>

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Don't hire them if they...	...can't explain their total fees and heavily promote their firm's insurance products.	...can't explain their total fees and heavily promote only their firm's products and services.	...fail to demonstrate competence, propose using too many unknown investment companies, or ask for custody of your assets.
When should you fire them?	If service is suffering or performance is sub-par. Many insurance agents have hundreds or even thousands of clients, and attending to the needs of each is nearly impossible. Additionally, with high fees a client may regularly see below average returns on investments.	Similar to insurance agents, brokers tend to have a lot of clients so lack of service can be an issue. If their propriety investment products have consistently underperformed, it might be time to look for greener pastures.	No difference here, if service and/or investment performance is insufficient, the advisor should be put on notice and other advisor options should be explored.

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