

# Understanding Brokerage and Investment Advisory Services

Advisors have access to a wide range of tools and services to support you and your financial goals, including insurance, brokerage and investment advisory services. There are significant differences between brokerage and advisory services, which are governed by different regulations, offer different compensation structures and place different obligations on your advisor. It is important that you thoroughly understand your options and discuss with your advisor which services are best suited to your situation now and as they change over time.

## Brokerage Services

A brokerage account is transactional. This means your advisor facilitates trades in your account according to your instructions or the instructions of authorized persons.

### Advisor Obligations

Your advisor and our firm have an obligation to:

- Ensure that any recommendations to buy or sell a security in a brokerage account are suitable to your needs, risk tolerance, financial and tax status, and time horizon
- Provide complete and honest information on any recommendations
- Not charge excessive commissions or fees
- Seek the best execution available for your trades within the given market conditions

Brokerage accounts are nondiscretionary, meaning your advisor may not make the decision to buy or sell a position on your behalf but only place trades based on your instructions. Ultimately, you are responsible for weighing all of the information, ensuring you understand products and making the final investment decision.

### Compensation and Fees

Compensation for brokerage accounts is typically commission-based, although your advisor may also collect certain fees, such as 12b-1 fees. Carefully read the brokerage agreement your advisor provides.

Your advisor may also offer guidance to assist you in your decision-making process. No separate fee is charged for this, which is part of providing suitable trade recommendations. Should your advisor charge a fee for these services, it constitutes investment advice, which places your advisor under a fiduciary obligation to you. This arrangement may only take place with a written advisory agreement. See "Investment Advisory Services" below to learn more.

## Investment Advisory Services

Investment advice encompasses a number of services with one commonality: you are engaging your advisor as a fiduciary, which is someone authorized to act on your behalf in financial matters. The obligations under a fiduciary relationship are much broader than those required of an advisor acting in a brokerage or non-securities capacity.

### Fiduciary Obligations

A fiduciary is expected to:

- Act in good faith and in your interests
- Provide advice suitable to your needs, objectives and circumstances
- Disclose any conflicts of interest in serving you
- Seek the best execution available for your trades within the given market conditions
- Not unfairly advantage or disadvantage one client over another

When you engage in an advisory capacity, you will primarily receive investment advice and/or investment management services. Your assets may be managed on a discretionary or nondiscretionary basis. When your advisor acts with discretion on your behalf, your advisor or a third-party manager or a sub-advisor makes the investment decisions for you based on your risk tolerance and goals. Discretion can only be granted with your written consent.

Investment advisory services will only be provided under a written agreement that outlines the advisory relationship, including the services and scope of advice to be provided and any fees to be charged. You will only receive advisory services for those accounts covered by an advisory agreement. You will also receive disclosures that outline the background of your advisor and of the registered investment advisory (RIA) firm through which your advisor provides these services. Read them carefully as they lay out any research provided, affiliations and conflicts between your interests and those of the advisor or RIA.

### **Related Fiduciary Services**

You may also engage your advisor for a financial plan or consultation. As opposed to ongoing management of your assets, once your advisor has delivered the plan or consultation, the engagement is at an end. You are not under any obligation to have that advisor execute the recommendations within the plan, nor are you obligated to open a brokerage or an advisory account with that advisor. Should you choose to engage your advisor to execute the recommendations of the financial plan, there will likely be associated costs that are separate from the cost of your initial financial plan or consultation.

Your advisor may also be able to use a margin in your advisory account. It is important to understand the features, benefits and considerations of using margin loans to provide leverage to an account. When a margin loan is used to purchase additional investments, the asset value of your account increases, which in turn generates more asset-based fees. Interest is charged on the loan.

### **Compensation and Fees**

Compensation for advisory services is typically fee-based: either a flat fee or one based on a percentage of assets being advised or managed. In some instances, commissions might be the only compensation available. Your advisor will either offset the fees assessed by the commissions received or will not assess a fee for those assets for a period of time. In addition, there may be fees associated with any third-party managers, separately managed accounts or fund operating expenses.

## **Insurance Services and Other Outside Business Activities**

Your advisor, if licensed to do so, may provide fixed insurance services. In this regard, your advisor is acting solely as an insurance agent, and is subject to state insurance laws.

Your advisor may also refer you to other agents, advisors, and legal and tax professionals. These referrals do not constitute investment advice and are not investment advisory services. Should your advisor offer any of these services, he or she will be subject to the applicable governing body, e.g., the state board of accountancy for accounting services.

For additional information,  
**contact your advisor.**

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