

# NOT ADOPTED - DO NOT USE

*Hypothetical Relationship Summary for a Registered Broker-Dealer  
Prepared By SEC Staff – For Illustrative Purposes Only*

## **Is A Brokerage Account Right For You?**

There are different ways you can get help with your investments. You should carefully consider which types of accounts and services are right for you.

**We are a broker-dealer and provide brokerage accounts and services rather than advisory accounts and services.** This document gives you a summary of the types of services we provide and how you pay. Please ask us for more information. There are some suggested questions on page 4.

### **Relationships and Services.**

- If you open a brokerage account, you will pay us a **transaction-based fee**, generally referred to as a commission, every time you buy or sell an investment.
- You may select investments or we may recommend investments for your account, but the ultimate investment decision as to your investment strategy and the purchase or sale of investments will be yours.
- We can offer you additional services to assist you in developing and executing your investment strategy and monitoring the performance of your account but you might pay more. We will deliver account statements to you each quarter in paper or electronically.
- We offer a limited selection of investments. Other firms could offer a wider range of choices, some of which might have lower costs.

### **Our Obligations to You.** *We must abide by certain laws and regulations in our interactions with you.*

- We must act in your best interest and not place our interests ahead of yours when we recommend an investment or an investment strategy involving securities. When we provide any service to you, we must treat you fairly and comply with a number of specific obligations. Unless we agree otherwise, we are not required to monitor your portfolio or investments on an ongoing basis.
- Our interests can conflict with your interests. When we provide recommendations, we must eliminate these conflicts or tell you about them and in some cases reduce them.

- **SAMPLE FIRM, a broker-dealer registered with the Securities and Exchange Commission,**

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**Fees and Costs.** *Fees and costs affect the value of your account over time. Please ask your financial professional to give you personalized information on the fees and costs that you will pay.*

- The fee you pay is based on the specific transaction and not the value of your account.
- With stocks or exchange-traded funds, this fee is usually a separate commission. With other investments, such as bonds, this fee might be part of the price you pay for the investment (called a “**mark-up**” or “**mark down**”). With mutual funds, this fee (typically called a “**load**”) reduces the value of your investment.
- Some investments (such as mutual funds and variable annuities) impose additional fees that will reduce the value of your investment over time. Also, with certain investments such as variable annuities, you may have to pay fees such as “**surrender charges**” to sell the investment.
- Our fees vary and are negotiable. The amount you pay will depend, for example, on how much you buy or sell, what type of investment you buy or sell, and what kind of account you have with us.
- We charge you additional fees, such as custodian fees, account maintenance fees, and account inactivity fees.
- The more transactions in your account, the more fees we charge you. We therefore have an incentive to encourage you to engage in transactions.

## **Compare with Typical Advisory Accounts.**

You could also open an advisory account with an **investment adviser**, where you will pay an ongoing **asset-based fee** that is based on the value of the cash and investments in your advisory account. Features of a typical advisory account include:

- Advisers provide advice on a regular basis. They discuss your investment goals, design with you a strategy to achieve your investment goals, and regularly monitor your account.
- You can choose an account that allows the adviser to buy and sell investments in your account without asking you in advance (a “**discretionary account**”) or the adviser may give you advice and you decide what investments to buy and sell (a “**non-discretionary account**”).
- Advisers are held to a fiduciary standard that covers the entire investment advisory relationship. For example, advisers are required to monitor your portfolio, investment strategy and investments on an ongoing basis.

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- If you were to pay an asset-based fee in an advisory account, you would pay the fee periodically even if you do not buy or sell. You may also choose to work with an investment adviser who provides investment advice for an hourly fee, or provides a financial plan for a one-time fee.
- For an adviser that charges an asset-based fee, the more assets you have in an advisory account, including cash, the more you will pay the adviser. So the adviser has an incentive to increase the assets in your account in order to increase its fees.
- You can receive advice in either type of account, but you may prefer paying:

***an asset-based fee*** if you want continuing advice or want someone to make investment decisions for you, even though it may cost more than a transaction-based fee.

***a transaction-based fee*** from a cost perspective, if you do not trade often or if you plan to buy and hold investments for longer periods of time.

## **Conflicts of Interest.** *We benefit from our recommendations to you.*

- We can make extra money by selling you certain investments, such as [ ], either because they are managed by someone related to our firm or because they are offered by companies that pay our firm to sell their investments. Your financial professional also receives more money if you buy these investments.
- We have an incentive to offer or recommend certain investments, such as [ ], because the manager or sponsor of those investments shares with us revenue it earns on those investments.
- We can buy investments from you, and sell investments to you, from our own accounts (called "***acting as principal***"). We can earn a profit on these trades, so we have an incentive to encourage you to trade with us.

## **Additional Information.** *We encourage you to seek additional information.*

- We have legal and disciplinary events. Visit Investor.gov for a free and simple search tool to research our firm and our financial professionals.
- For additional information about our brokers and services, visit Investor.gov, BrokerCheck (BrokerCheck.Finra.org), our web site (SampleFirm.com), and your account agreement.
- To report a problem to the SEC, visit Investor.gov or call the SEC's toll-free investor

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assistance line at (800) 732-0330. To report a problem to FINRA, [ ]. If you have a problem with your investments, account or financial professional, contact us in writing at [ ].

**Key Questions to Ask.** *Ask our financial professionals these key questions about our investment services and accounts.*

1. Given my financial situation, why should I choose a brokerage account?
2. Do the math for me. How much would I pay per year for a typical brokerage account? What would make those fees more or less? What services will I receive for those fees?
3. What additional costs should I expect in connection with my account?
4. Tell me how you and your firm make money in connection with my account. Do you or your firm receive any payments from anyone besides me in connection with my investments?
5. What are the most common conflicts of interest in your brokerage accounts? Explain how you will address those conflicts when providing services to my account.
6. How will you choose investments to recommend for my account?
7. How often will you monitor my account's performance and offer investment advice?
8. Do you or your firm have a disciplinary history? For what type of conduct?
9. What is your relevant experience, including your licenses, education, and other qualifications? Please explain what the abbreviations in your licenses are and what they mean.
10. Who is the primary contact person for my account? What can you tell me about his or her legal obligations to me? If I have concerns about how this person is treating me, who can I talk to?