



FINRA Broker Check

FINRA link: www.finra.org/Investors/ToolsCalculators/BrokerCheck/index.htm

- Search for information about Brokers and Brokerage firms
- Search for information about Investment Advisor firms and Representatives
- Learn if any complaints, fines or suspensions have been filed
- Read Investor Alerts on variable annuity sales
- The FINRA website also has several sections on variable annuity sales

Standards of Conduct in Financial Industry

Fiduciary – An advisor must act in the best interests of clients and put clients’ interests ahead of the advisor’s. Advisors are prohibited from making trades that may result in higher fees for the advisor. The advisor must strive to trade securities with the best combination of low cost and execution.

Suitability – Instead of putting clients’ interests ahead of advisor’s, the advisor only has to believe the investments are suitable. The advisor’s duty is to the broker dealer not necessarily to the client.

Potential Conflict of Interest

The suitability standard allows an advisor to sell a client a growth mutual fund with an up-front 5% sales charge in addition to the on-going annual fund expenses as long as the growth objective was used appropriately to determine suitability. A fiduciary advisor would be prohibited from offering a fund on that basis. Instead, an advisor would typically offer a growth fund with no sales charges (no load) and an annual advisory fee ranging from 1% - 1.5%.

Expenses Associated with Investment Accounts

When comparing expenses of investment products, it is important to learn the total annual operating expenses. We have heard from members that some financial advisors disclose some of the fees but fail to mention all of the fees. Below is a checklist of the types of expenses associated with the various investments often used

for rollovers of lump sum pensions and 401(k) accounts. To see the dramatic impact expenses can have on your investments over time, please visit *Why Expenses Matter* in the Learning Center of our website: www.scarboroughalliance.com.

Variable Annuity Expenses

Note: Most of this information is found in the Variable Annuity Prospectus

Mortality & Expense: _____ %
 Administration Expense: _____ %
 Average Investment Management Fee: _____ %
 Riders for Living Benefits: _____ %
 Riders for Death Benefits: _____ %
 Total Annual Expenses: _____ %

PLUS

Surrender Charges: Maximum of _____% declining over _____ years

Mutual Fund Advisory Accounts

Advisory Fee: _____ %
 Average Investment Management Fee: _____ %
 Total Annual Expenses: _____ %

Brokerage Accounts

Average Investment Management Fee: _____ %

PLUS

Upfront Sales Charge (A Shares): _____ %

OR

Withdrawal Charge (B & C Shares): Maximum of _____% declining over _____ years

Trading and Transaction Fees: _____

Questions to Ask About Investments

Ask for a list of funds the advisor would use for a conservative portfolio allocation. With the list, have the advisor provide the investment performance over the last year, three years, five years and ten years, and show the Morningstar rating and annual expenses for each fund.

- What are all of the fees, including 12b-1 fees, that the firm may receive?
- Are variable annuities used?
- If yes, in what circumstances?
- If the answer is yes, which companies are used and what are the annual expenses and surrender charges?
- What portion of the firm's fee does the individual advisor receive?

Fund Analyzer

You can compare funds at www.finra.org/Investors/ToolsCalculators/index.htm



Scarborough Alliance Group

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Before investing in mutual funds, carefully read the prospectus(es) or summary prospectus(es) which contain information about investment objectives, risks, charges, expenses and other information all of which should be carefully considered. Investing involves risk. The investment return and principal value will fluctuate and, when redeemed, the investment may be worth more or less than the original purchase price.

Asset allocation or the use of an investment advisor does not ensure a profit or guarantee against a loss.

Investors should consider the investment objectives of the variable annuity carefully before investing. An investment in a variable annuity involves investment risk, including possible loss of principal. Variable annuities are designed for long-term investing. The contract, when redeemed, may be worth more or less than the total amount invested. Variable annuities are subject to insurance related charges including mortality and expense charges, administrative fees, and the expenses associated with the underlying funds. Withdrawals prior to age 59 ½ may result in a 10% IRS tax penalty, in addition to any ordinary income tax. The guarantee of the annuity is backed by the financial strength of the underlying insurance company. Investment sub-account value will fluctuate with changes in market conditions.

You should carefully consider the investment objectives, risks, charges and expenses of a variable annuity and its underlying investment options before investing. For a copy of the prospectus for the annuity and its underlying investments, contact the issuing insurance company. Read the prospectus carefully before you invest.

For further questions, please contact Scarborough Alliance Group at (800) 223-7608.

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