

By Peter J. Brennan  
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## What is an RIA?

*The financial world is in an ongoing contentious debate—escalated by recently enacted regulations on fiduciaries—about the definition of a registered investment adviser versus an investment adviser who may also sell stocks and/or insurance.*

*Laura Tarbox, owner of Tarbox Family Office in Newport Beach, was an instructor and director of the personal financial planning certificate program at the University of California-Irvine from 1998 to 2008.*

*She wrote the following edited description of an RIA:*

Any firm deemed to be providing investment advice, as opposed to acting as a broker of securities transactions, must be registered with the Securities and Exchange Commission as a registered investment adviser, or RIA. Firms that manage under \$100 million are generally regulated by the state in which they do business, even though their listings and information will appear on the SEC website.



**Tarbox: former UCI Instructor, program director**

Firms are required to file an annual form, or ADV, with the SEC that provides important information about themselves, such as number of advisers, assets managed, number of institutional versus individual accounts, ownership structure of the firm, conflicts of interest and disciplinary history, if any. The list can be found

at [adviserinfo.sec.gov](http://adviserinfo.sec.gov).

A firm may also be a “hybrid” or “dually-registered” as both an RIA and a broker, and an adviser may be a registered representative of a broker. Such firms may give advice and also sell investment products. Their advisers are also listed with the Financial Industry Regulatory Authority under BrokerCheck at [brokercheck.finra.org](http://brokercheck.finra.org).

“Pure” RIA firms are not affiliated with any broker-dealer but typically enact trading through third-party custodians, such as Schwab,

TD Ameritrade or Fidelity. These RIA firms are not licensed to sell investment products.

However, there is somewhat of a “loophole,” in that RIA firms that are not licensed to sell securities may still sell insurance. Although such conflicts are disclosed in the back of SEC filing form ADV, the SEC does not regulate the sale of insurance products, which instead are regulated by individual state insurance commissioners.

It is important for consumers to know whether their investment advisers are licensed to sell them securities or insurance products. Although some may desire to purchase such products, others may prefer working with an investment adviser free of such conflicts of interest.

Advisers who do not sell any products at all may refer to themselves as “fee-only.” Note that this is entirely different from “fee-based,” which means that the firm can be a hybrid RIA/broker-dealer who charges fees and also sells products for a commission.