FIRST FINANCIAL
EQUITY CORPORATION
Wealth Management Company

Understanding the Differences Between Commissionable and Advisory Accounts

INTRODUCTION

There are two different types of services your advisor can provide to you: brokerage and investment advisory services. What's right for you depends on your individual financial situation and investment objectives.

FFEC functions as both a Registered Investment Adviser and broker/dealer:

- A broker/dealer, as defined by the Financial Industry Regulatory Authority (FINRA), is a "company that is in the business of buying and selling securities—stocks, bonds, mutual funds, and certain other investment products—on behalf of its customers (as broker), for its own account (as dealer), or both."
- A Registered Investment Adviser, is defined by the Securities and Exchange Commission (SEC) as individuals or firms that receive compensation for giving advice on investing in securities such as stocks, bonds, mutual funds, or exchange traded funds are deemed to be investment advisers. It is also common for investment advisers to manage portfolios of securities. RIAs generally are paid in any of the following ways: a percentage of the value of the assets they manage for clients, an hourly fee, or a fixed fee.

As a dually registered investment adviser and independent broker/dealer, FFEC supervises and processes the investment business of the financial professionals who affiliate with us. These professionals (often called advisors) provide financial guidance to clients looking for assistance. FFEC processes client transactions and provides the technology platform, and other support services to help advisors serve clients.

Because the securities and investment advisory industry is heavily regulated, financial advisors must register with a broker/dealer and/or investment adviser to ensure supervision and a clear chain of responsibility. FFEC is responsible for following state and federal securities laws and regulations, as well as for ensuring that our advisors:

- Follow securities laws and regulations
- Are properly registered and licensed
- Correctly complete and maintain paperwork
- Demonstrate responsibility
- Avoid or disclose conflicts of interest

It is important you carefully consider the differences between a commissionable and advisory relationship when working with your financial professional. There are differences between these accounts, including services provided, costs, and applicable laws and regulations.

COMMISSION ACCOUNTS

Financial professionals of the broker-dealer facilitate the execution of transactions based on your instructions and are acting in the capacity of a registered representative. When you invest through a brokerage account, your advisor receives a commission for buying or selling securities products. This compensation occurs on a transaction basis. A registered representative may offer advice and recommendations to you for each transaction. A registered representative is obligated to have a reasonable basis for believing that any recommendation is suitable and will meet your investment goals and objectives with an appropriate amount of risk that you have set for your account.

In addition, through a brokerage relationship, your advisor may provide education, research, and information about financial products, but he or she is not obligated to provide ongoing investment advice, which is a duty of an advisor to clients in an advisory relationship. Also, unlike an advisory relationship, you may not provide your advisor with discretion to buy and sell securities for you in a brokerage account; instead, you must approve each transaction prior to execution.

A commissionable account may be more appropriate if you want to maintain greater control over your investments, but still want the benefit of a registered representative's guidance. A registered representative may recommend specific security transactions but is not obligated to provide ongoing management of your account. As a result, a brokerage relationship may be best for clients who are seeking more of a buy-and-hold strategy.

The commissions you pay will depend on the type and nature of the security purchased or sold in your account. There are, for example, several different share classes of mutual funds, and each comes with different sales charges and expenses (see below chart). Your registered representative may be compensated by receiving a commission which can be charged to your account for a buy or sell transaction.

Brokerage accounts may also incur certain account fees. There may be ticket charges or additional fees charged by the qualified custodian for executing a transaction, which the registered representative does not receive. (Please note: Advisory accounts may incur certain account fees as well.) For a list of fees charged by FFEC for brokerage accounts and related services, please see the Fee Schedule at www.ffec.com .

INVESTMENT ADVISORY ACCOUNTS

FFEC's investment advisory services are designed to accommodate a wide range of client investment philosophies and objectives. As is the case with brokerage services, advisory services clients have access to an array of securities products, including, but not limited to, common and preferred stocks; municipal, corporate, and government fixed income securities; and mutual funds. Your advisor will help you determine the investment objectives and risk tolerance for your account and manage the portfolio accordingly. FFEC cannot enter into an advisory relationship unless a written investment advisory agreement is obtained which describes the firm's obligations to you.

FFEC's advisory services platform also allows advisors to offer clients a number of managed account investment options and unaffiliated third-party asset manager programs.

An advisory account may be more appropriate if you do not want to be actively involved in the day-to-day management of your investments and prefer the ongoing management to meet your goals and objectives. An advisory account is monitored by the investment advisor representative and rebalanced as needed.

Your investment advisor representative typically receives a fee based upon the arrangement set in your advisory agreement. The fee is usually deducted from your account. There also may be ticket charges or additional fees charged by the qualified custodian for executing a transaction, which are not included in the advisory fee. There are various types of advisory accounts. It is important you carefully consider the differences between the advisory services when contracting with your investment advisor representative.

Advantages of managed accounts include:

- You pay no commissions or sales charges.
- You can provide your advisor with discretion to manage your account on an ongoing basis.
- Your advisor has a fiduciary duty to act in your best interest. Disadvantages of managed accounts include:
- Your asset management fees may be greater than comparable transaction-based commission charges.

- The availability of certain product types (e.g., variable annuities, alternative investments) and features may be limited.

Comparison of Share Classes and Expenses in Brokerage and Advisory Accounts The chart below explains a few general differences among the most commonly used mutual fund share classes, as well as compares them with advisory accounts.

	Brokerage		Advisory
	Class A Shares	Class C Shares	Share Class Varies
Up-Front Sales Charge	Yes; typically around 5.75%	C shares typically have 1% initial sales charge	None
Annual Internal Fund Expenses	Lower than C shares; higher than most advisory share classes; internal expenses vary; typically pay advisor 0.25% annual 12b-1 fee	Higher than A shares and most advisory share classes; some C shares convert to A shares after a predetermined hold period; internal expenses vary; typically pay advisor 1% annual 12b-1 fee	Lower than C shares; often lower than A shares; internal expenses vary; do not pay advisor 12b-1 fees
Deferred Load	None, unless subject to short-term redemption fees per the fund prospectus	Generally 1% if shares redeemed within 12–18 months of purchase	None, unless subject to short-term redemption fees per the fund prospectus
Might Be Best for Investors Who—	Intend to hold the fund long term; want lower annual expenses; can invest large amounts of money to reduce initial sales charges	Anticipate a shorter time horizon; want flexibility of free redemptions after 12–18 months of purchase	Do not want to pay initial or deferred sales charges; prefer to pay an annual fee for ongoing advisor asset management rather than a sales charge or 12b-1 fee

CONSULTING AND FINANCIAL PLANNING SERVICES

FFEC advisors also have the ability to provide fee-based consulting and financial planning services. For example, you may engage your advisor to review or provide consulting services on assets or accounts you maintain at other financial institutions, generate a comprehensive financial plan, provide education planning services, work with you on an estate plan, or help address your risk management needs.

MAKING THE CHOICE THAT'S RIGHT FOR YOU

FFEC encourages you to discuss your options and the many differences between brokerage and advisory relationships with your advisor. It's important to understand all associated costs and the benefits of each option so you can decide which types of accounts and services may be best suited for your unique financial goals, investment objective, and time horizon.