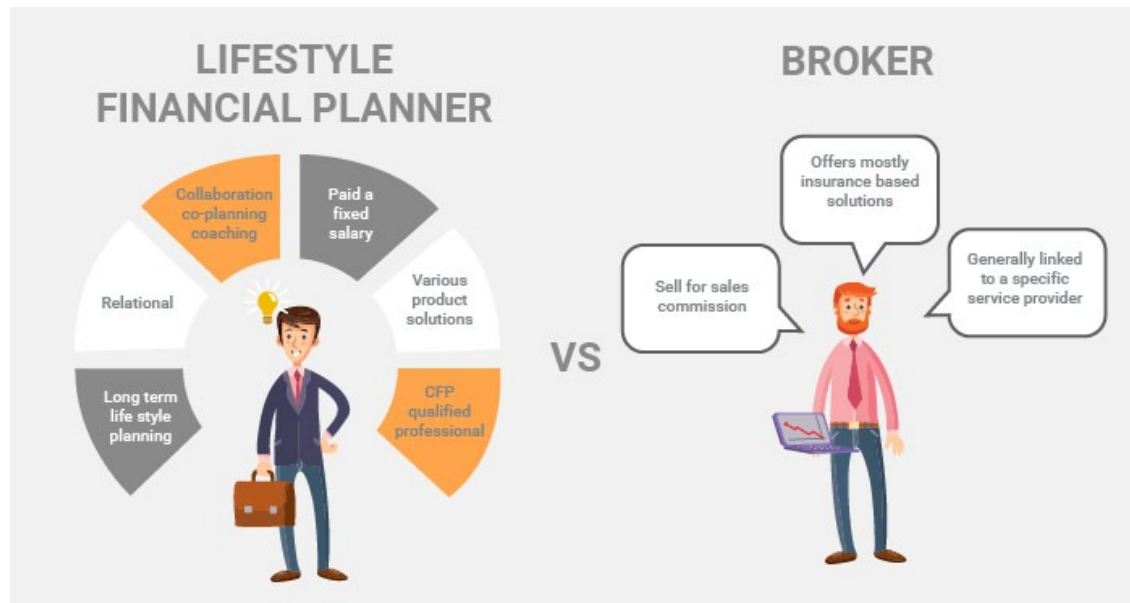


## Stock Broker vs. Financial Advisor



### Are you confused between who is a Stock Broker and a Financial Planner?

Stockbrokers & Financial Planner perform entirely different functions, and often, investors get confused between the two.

In this blog, **we will look at both these entities and their functions and understand how each of them might help us in our investment journey.** It must be noted that the Securities and Exchange Board of India, commonly known as **SEBI**, is the regulating body for both entities. As per the guidelines of SEBI, an advisor can never provide any brokerage service; therefore, we need to choose both of these for all our investment needs separately.

**Having a broker before entering the stock market; similarly, having a good advisor is more of a necessity to grow our capital.**

Financial planners and stockbrokers work in the financial markets, performing two different roles. Stockbrokers are business professionals who focus on selling and purchasing financial stocks pertaining to various companies and are members of the Stock Exchanges. A financial planner helps people understand their financial situations and their options to increase their net worth. An advisor guides us with our investment by providing investment recommendations based on qualified research.

Let us take a look at the function of each of these entities and find out the differences and importance of each one of them.

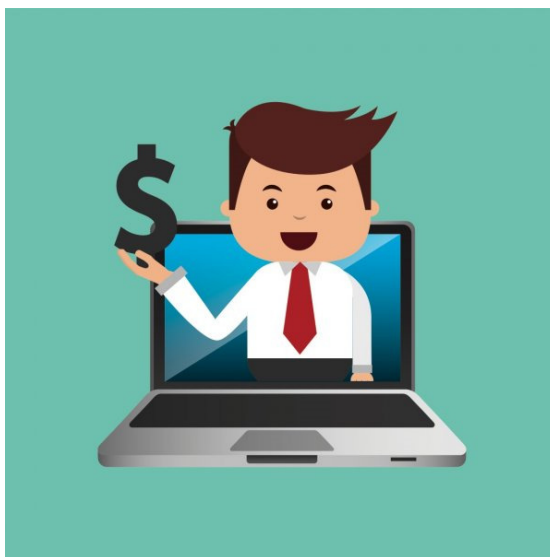
### Who is a Stock Broker?



Stock brokers are exchange members who provide **trade execution services to their clients and charge some amount as brokerage against their benefits**. The more we sell in the market, the higher our broker's revenue will be. We need to have a trading account with any of the stockbrokers before we can start trading or invest in the stock market.

For a body to provide execution services, it must be a member of at least one stock exchange and have a **valid SEBI registration number**. If the broker fails to deliver good services to their clients, the client can complain about the **SEBI's grievance redressal system known as SCORES**.

### Who is a Financial Planner?



Financial Planners can be **individuals or corporate bodies with nothing to do with trade execution**. They are professionals who use their knowledge of the finance market to help people prepare for their future. **These entities have a team of well-qualified market analysts and researchers who study needs by performing technical and fundamental analyses and provide trade recommendations to their clients based on the same**. The Corporate Finance Institute may involve investment advice, estate planning, or tax management.

There are two major types of financial planners:

- Planners who offer only advice and do not

execute the investment products, also called Fee-Only Investment Advisors.

- Planners who advise and execute Investment Solutions also called Fee-based Investment Advisors.

Financial planners spend a lot of time learning more about the financial market. They can explain complex financial terms in simpler languages to their clients. Those working for financial planning firms help clients prepare for specific goals, such as saving for retirement or covering a child's education expenses. They also counsel their clients on the risks of different investments. Financial planners usually charge their clients a fixed sum for their services.

**To be a legal investment advisor, one must register with SEBI. Any advisor providing advisory services without holding a SEBI registration number is now illegal in India.**

Further Certified Financial Planners are those who are Certified from Financial Planning Standards Board of India.

## **Stock Broker vs. Financial Planner**

**Some brokers do provide advisory services** to their clients. Many Investors also do not prefer to opt for advisory services from brokers. The reason being these **recommendations may or may not help us in earning profit**. However, brokers will try to increase our trade volume, which will help the brokers to generate more revenue. The broker is an entity that earns from every trade we place, irrespective of our profit or loss.

SEBI keeps a sharp eye on the functioning of these entities. An investment advisor usually charges a fixed amount from investors which has nothing to do with the trade volume. Therefore, the trades provided by these advisors are based extensively on market research and are unbiased. On the other hand, advisors focus only on delivering research-based trade recommendations to their clients with the sole intention of client success.

To Conclude, a financial advisor needs to learn more about you before they can give you advice. In contrast, brokers need to collect the minimum amount of information before they conclude that an investment can be sold to you. However, people often forget about investment advisors, and this is where they fail as an investor. ***Market research and analysis are significant to a thriving market investor. An investment advisor helps you by researching the markets on your behalf and providing recommendations based on them.***

**All you need to do is follow those recommendations!**

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