

Q&A: Financial advisor

Ferret out fees, philosophies

Ask prospective financial planners or investment advisors to answer the following questions. Then compare their answers.



Advisor: _____

Firm: _____

Date: _____

1. Outline your experience as an investment advisor.

2. What are your professional qualifications?

3. Do you personally manage investments in each investor's account, or will someone else (for example, a mutual fund manager) make investment decisions?

4. Do you personally research your recommendations, or do you rely on other people? Whose research do you use (brokerage research departments, mutual fund managers)?

5. What is your investment philosophy? Have you ever managed a client's money through a bear (down) market? How are you handling investments in this recession?

6. Do you provide tailored portfolios, or is an investor's money "pooled"—as in mutual funds—with others?

7. What type of investments will you use to achieve my financial goals?

8. Do you provide a prospectus for every investment you recommend?

9. How are you compensated?

Check all that apply to my account.

- Commission Annual 12B-1 commissions
 "Wrap account" Fee only
 Commission and fee Hourly rate
 Other (explain) _____

10. Do you receive "soft dollar" benefits (for example, trips for selling certain mutual funds, free research, and so on) for selling any investments? If yes, explain.

11. What are the costs of your services? For each investment you recommend, list the transaction fees, including up-front and deferred sales charges, commissions, markups, and so on. Also, list such annual fees as management fees, 12B-1 fees, operating fees, and so on.

Investment	Page*	Investment amount (A)	Transaction fees % (B)	Transaction fees \$ A x B = C	Annual fees % (D)	Annual fees % A x D = E	First-year fees \$ C + E = F	First-year fees % F ÷ A = G
Totals								

* Provide prospectus page numbers that detail investment fees (sales charges, fund operating expenses, and so on).

12. List the portion of fees you receive as compensation.

13. List sales charge breakpoint levels and rates for each investment. If more than one fund family is recommended, list the difference in fees that will be incurred vs. investing with one fund family.

14. List any deferred or surrender charges of the investments you recommend.

15. Has a regulatory body brought action against you or your firm? Has anyone sued you? If so, what was the outcome?

16. Are you registered with the U.S. Securities and Exchange Commission as an investment advisor? Are you willing to answer all of part 1 and part 2 on form ADV, whether or not you're registered with the SEC?

17. Why should an investor select you as an advisor?

I have disclosed all charges and expenses of my investment advisor service and all sources of my related compensation. I have answered all of the above questions and fully disclosed all information pertaining to them.

Signed _____

Firm: _____

Date: _____