



# Questions for a Nonprofit Organization to Ask ABOUT A FINANCIAL ADVISORY FIRM

## Executive Summary

We recommend that you select your financial advisory firm based on practical criteria (fiduciary, fee only, NAPFA, CEFEX, etc.) first, and then later select your individual financial advisor. It is crucial to ask smart, well-defined interview questions to determine if the financial advisory firm you are considering is, indeed, a good fit for your situation. This document provides a large inventory of questions for the nonprofit organization to use when evaluating a financial advisory firm. Avoid financial advisory firms that state that they cannot put their answers to these questions in writing.

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A. Legal:

- a. Legal - Firm Ownership: Who owns your firm?
  - i. In what year was your firm established?
  - ii. How many years have you been in business?
  - iii. Who were the founders of your firm?
  - iv. Is your firm privately held?
  - v. Is your firm publicly held?
  - vi. Is your firm owned by a parent company?
    1. Is your firm owned by a bank?
    2. Is your firm owned by an insurance company?
    3. Is your firm owned by an investment securities brokerage firm?
  - vii. If you are owned by a parent company, what is the name and address of your parent company?
  - viii. Is your firm employee-owned?
  - ix. Who are the owners of your firm?
  - x. How long has each of your owners been an owner?
  - xi. How involved are the owners of your firm in the day-to-day work?
  - xii. If you have any subsidiaries, what are the names and addresses of your subsidiaries?
  - xiii. If you have any affiliated companies, what are the names and addresses of your affiliated companies?
  - xiv. If the firm has acquired any other firms, what are the details of these transactions?
  - xv. Within the past three years, have there been any changes in:
    1. Ownership?
    2. Structure?
    3. Management?
  - xvi. Do you anticipate any future changes in your:
    1. Ownership?
    2. Structure?
    3. Management?
- b. Legal - Firm Registration – Registered Investment Advisor:
  - i. Are you registered with the appropriate regulators as an investment advisor?
    1. If so, can you provide us with all disclosures required under those laws?
  - ii. Is your firm a Registered Investment Advisor (RIA)?
  - iii. Is your firm, its parent or affiliate a Registered Investment Advisor (RIA) with the Securities and Exchange Commission (SEC) under the Investment Advisors Act of 1940?
  - iv. Is your firm registered with the Securities and Exchange Commission (SEC)?
    1. If yes, can you provide us with the disclosures required under the law such as a copy of your:
      - a. SEC Form ADV Part 1?
      - b. SEC Form ADV Part 2?

- c. Form CRS?
    - d. Code of ethics?
  - 2. Will you provide us with a copy of your Form ADV, Parts 2A and 2B, and your own public disclosure document?
- c. Legal - Firm Registration – Financial Industry Regulatory Authority (FINRA):
  - i. Is your firm registered with the Financial Industry Regulatory Authority (FINRA)?
  - ii. Does your firm receive commissions on the sale of investment products?
- d. Legal - Firm Registration – State of the Union:
  - i. In which States is your firm licensed to provide financial advice?
  - ii. Is your firm registered to provide financial advice in the State where we reside?
- e. Legal - Firm Registration – Dually Registered Hybrid Firms:
  - i. Is your firm, its parent or affiliate an investment securities brokerage firm or broker dealer?
    - 1. If so, how do you describe this relationship?
    - 2. Do you trade for your client accounts through this broker/dealer?
  - ii. Is your firm a dually registered “hybrid” firm with both the Financial Industry Regulatory Authority (FINRA) and the Securities and Exchange Commission (SEC)?
  - iii. Does your firm receive commissions on the sale of investment products?
    - 1. Do you sell insurance products?
    - 2. Do you sell annuities?
  - iv. Does your firm receive money from anyone other than nonprofit organizations?
  - v. Does your firm have any proprietary products?
    - 1. Mutual funds?
    - 2. Separately managed accounts (SMA)s?
  - vi. Is your firm affiliated with:
    - 1. A bank?
    - 2. An insurance company
    - 3. An investment securities brokerage firm?
    - 4. A custodian?
    - 5. Any other firm?
  - vii. Does your firm have an ownership interest in an investment securities brokerage firm?
  - viii. Does your firm affiliate with an investment securities brokerage firm?
- f. Legal - History:
  - i. Does your firm have a legal or disciplinary history?
    - 1. If so, for what type of conduct?
  - ii. Do any of your financial advisors have a legal or disciplinary history?
    - 1. If so, for what type of conduct?

- iii. Has your firm, or any officer, principal, or employee of the firm (or an affiliated company), ever been investigated by and/or charged by the Securities and Exchange Commission (SEC), the U.S. Department of Labor (DOL), or any other State or Federal regulatory authority for violation of applicable laws in the past five years?
  - 1. If so, what is your explanation of this event?
- iv. Have you ever been publicly disciplined for any unlawful or unethical actions by any organization that oversees your conduct?
- v. How frequently do you get audited by your regulators?
- vi. When was your most recent regulatory audit?
  - 1. What were the results of that audit?
- vii. Has any regulatory body ever identified a deficiency in your firm?
- viii. Does the firm have any client complaints on their record?
- ix. Have any of your employees received disciplinary action from a regulatory body?
  - 1. If so:
    - a. What was it for?
    - b. Was this from before or after they were hired by your firm?
- x. Have any of your financial advisors ever declared personal bankruptcy?
- xi. Has your firm ever been censured?
- xii. Has your firm ever been fined?
- xiii. Has your firm ever been sued?
  - 1. By a client?
  - 2. By a vendor?
  - 3. Other?
- xiv. Within the past three years, have there been any significant developments in your organization such as personnel reorganizations, employee terminations or investigations?
- xv. Has your firm (or any officer, principal, or employee of the firm) ever been involved in any business litigation or other legal proceeding (including bankruptcy)?
  - 1. If so, what is a description of (and current status of) the litigation?
- xvi. Does your firm (or any officer, principal, or employee of the firm) have any lawsuits pending against it concerning the delivery of investment consulting or related services for any client?
  - 1. If so, what is a description of (and current status of) the pending litigation?
- xvii. Within the past five years, has your organization (or an officer or principal) been involved in actual or threatened litigation, administrative or regulatory, or similar investigative proceedings related to your financial advisory services?
  - 1. If so:
    - a. What is your explanation of the situation?
    - b. What is the current status or disposition?

- c. Were there any censures or reprimands received from regulatory bodies?
  - xviii. Has your firm ever been required to pay damages or penalties (or trade or relinquish something of value) under any of its existing or past service contracts as it relates to financial advisory services like those contemplated by us?
  - xix. Do you anticipate any future significant changes in your organization?
- B. Fee-Only Advisory Firm:
  - a. Is your firm a fee-only advisor?
  - b. Is your firm a fee-only financial advisory firm?
  - c. Are you a fee-only financial advisory firm?
  - d. The National Association of Personal Financial Advisors (NAPFA) defines a Fee-Only financial advisor as one who is compensated solely by the client with neither the advisor nor any related party receiving compensation that is contingent on the purchase or sale of a financial product.
    - i. Is your firm a fee-only financial advisory firm?
    - ii. Is your firm a member of the National Association of Personal Financial Advisors (NAPFA)?
    - iii. Are your financial advisors fee-only financial advisors?
    - iv. Are any of your financial advisors NAPFA-Registered Financial Advisors?
  - e. Financial Advisor Registration:
    - i. Are any of your employees Registered Representatives of an investment securities brokerage firm?
    - ii. Do any of your financial advisors hold a Series 7 investment securities brokerage license?
    - iii. Do you require your financial advisors to hold a Series 7 investment securities brokerage license?
    - iv. Do any of your financial advisors hold a license to sell insurance products?
    - v. Do you require your financial advisors to hold a license to sell insurance products?
  - f. Financial Advisor Compensation:
    - i. Is any part of the compensation of your financial advisor's contingent on the purchase or sale of a financial product?
    - ii. How do your financial professionals make money?
    - iii. How does your firm compensate your financial advisors?
      - 1. Hourly wage?
      - 2. Salary?
      - 3. Commission?
      - 4. Salary and Commission?
      - 5. Awards?
      - 6. Bonuses?
      - 7. Prizes?
      - 8. All of the above?

- 9. A combination of two or more of the above?
- g. Fee-Based: Is your firm a fee-based financial advisory firm?
- h. Commission-Based: Is your firm a commission-based financial advisory firm?
- C. Fiduciary Relationship between Advisory Firm and Advisory Nonprofit organizations:
  - a. Is your firm a fiduciary?
  - b. Are you a fiduciary?
  - c. Are you obligated to put our needs first?
  - d. Are you obligated to put our interests first?
  - e. Are you a fiduciary at all times?
  - f. Are you a fiduciary all the time?
  - g. Is your firm a fiduciary?
    - i. What is your firm's definition of a fiduciary?
    - ii. Is your firm obligated to always act as a fiduciary to your nonprofit organizations?
    - iii. Does your firm provide a fiduciary relationship with your nonprofit organizations?
  - h. Do you have a fiduciary duty to your nonprofit organizations?
  - i. Do you consider yourself a fiduciary with respect to the recommendations you provide to the client?
  - j. Will you have a fiduciary duty to us as your client?
  - k. Will you and your firm be a fiduciary at all times during our professional relationship?
  - l. Does your firm offer a fiduciary standard of care:
    - i. To all of your nonprofit organizations?
      - 1. All of the time?
      - 2. Some of the time?
      - 3. Never?
    - ii. To some of your nonprofit organizations?
      - 1. All of the time?
      - 2. Some of the time?
      - 3. Never?
  - m. Will you act as a fiduciary and put our interests ahead of yours?
  - n. Will you act in our best interests?
  - o. Will you promise to act in our best interests?
  - p. In situations where you have a conflict of interest with us, do you believe that you have an obligation to disclose these conflicts of interest to us?
    - i. If so, after disclosing the conflicts of interest, will you then continue to put our interests first?
  - q. Will you declare your fiduciary status in writing?
  - r. Will you commit to us, in writing, that you will have a fiduciary duty to us?
  - s. How can you prove that you are a fiduciary?
  - t. How can you assure us that you will act in our best interest?
  - u. Does your firm provide a fiduciary oath to your nonprofit organizations?

- v. Will your firm acknowledge in writing that you have a fiduciary obligation to act in our best interests?
  - w. If you are hired, will you acknowledge in writing that you have a fiduciary obligation as an investment adviser to us as the client while providing the services we are seeking? Will you provide us with a written engagement that requires you to place our interests first when providing financial advice, even when you have a conflict of interest?
  - x. We know that the way in which a financial advisor is compensated can make all the difference in the recommendations they make for us. That's because some advisors work under a standard that requires only that their recommendations be *suitable* to our particular situation. Other planners work under a fiduciary standard that requires advisors to consider what is in their *client's best interest*. Do your financial advisors work under the suitability standard of care?
  - y. Do you provide a fiduciary standard of care or a suitability standard of care?
  - z. The prudent investment rule requires a fiduciary to invest trust assets as if they were her or his own. Will you provide advice and/or management of our investment portfolio under the tough standard of the prudent investor rule?
- D. Financial Advice (Objective, Independent, Comprehensive, Professional Designations):
- a. Objective:
    - i. What does it mean to you for an advisory firm to be objective?
    - ii. What conflicts of interest do you have when providing financial advice?
    - iii. What internal policies does your firm have to have in place to ensure your advice is objective?
    - iv. Does your firm offer proprietary investment products?
    - v. we know that a CFP® professional has an ethical obligation to act in our best interest when he or she provides financial planning advice. Are all your financial advisors CERTIFIED FINANCIAL PLANNER™ (CFP®) professionals?
  - b. Independent:
    - i. What does it mean to be an independent firm?
    - ii. What does it mean for your firm to be an independent firm?
    - iii. Is your firm an independent firm?
    - iv. Is your firm independent of:
      - 1. custodians?
      - 2. investment managers?
      - 3. investment securities brokerage firms?
      - 4. mutual fund companies?
      - 5. banks?
      - 6. insurance companies?
  - c. Comprehensive
    - i. Is your financial advice comprehensive?
    - ii. How do you define comprehensive financial advice?
  - d. Financial Advice - Professional Associations - Firm:
    - i. Is your firm a member of any professional trade associations?

1. Is your firm a member of the National Association Personal Financial Advisors (NAPFA)?
- ii. What professional certifications does your firm have?
- iii. Is your firm certified by any third-party organizations?
  1. Is your firm CEFEX-certified?
  2. Is your firm certified for fiduciary excellence by CEFEX?
- e. Financial Advice - Professional Education and Training – Financial Advisors:
  - i. Does your firm require:
    1. a minimum educational background for financial advisors?
    2. any professional training for their financial advisors?
    3. any professional certifications for their financial advisors?
  - ii. What types of continuing professional education do your financial advisors have to complete each year?
  - iii. What ongoing professional training and/or education must your professional staff members complete on an annual basis?
  - iv. Does your firm have any unique professional expertise on your team?
    1. Specialists:
      - a. Accountants
      - b. Attorneys
      - c. Insurance agents
  - v. What are your firm’s qualifications?
  - vi. What experience do you have on your team?
  - vii. How deep is your financial planning experience?
  - viii. What are your credentials?
  - ix. What credentials do your financial advisors have?
  - x. What professional certifications do your team members have?
  - xi. What professional designations do your professional staff members currently hold?
  - xii. Do your financial advisors have any of these professional designations?
    1. Accredited Investment Fiduciary® (AIF®)
    2. Chartered Financial Analyst® (CFA®)
    3. Board Certified Fiduciary™ (BCF™)
    4. Certified Public Accountant (CPA)
    5. Personal Financial Specialist (CPA/PFS®)
    6. CERTIFIED FINANCIAL PLANNER™ (CFP®) professional
  - xiii. Do you have accountants and attorneys on staff (in-house)?
    1. What are the pros and cons to having these professionals inside a financial advisory firm?
- E. Advisory Services (Wealth Management, Financial Planning, Investment Management):
  - a. Wealth Management:
    - i. What are the services you propose to provide?
    - ii. What services do you offer?
    - iii. Are you:



1. Wealth Managers?
  2. Financial Planners?
  3. Financial Advisors?
  4. Investment Managers?
- iv. What exactly is the job that you will be doing for us?
  - v. What is the scope of the services that you will be providing to us?
  - vi. What types of financial advisory services do you offer?
  - vii. How will you be able to help us?
  - viii. In what types of ways are you able to help your nonprofit organizations?
  - ix. What types of decisions can you help us make?
  - x. Can you provide us with a financial plan?
  - xi. What services do you offer beyond investment management?
  - xii. Will you provide advice in areas other than investing?
  - xiii. What services do you specialize in?
  - xiv. Do you specialize in investment management or financial planning?
  - xv. Do you provide financial planning services:
    1. On an ongoing retainer basis?
    2. On a one-time project basis?
  - xvi. How does the financial planning process work?
  - xvii. How does your firm develop a financial plan for a client?
  - xviii. What will be covered during our financial planning meetings?
  - xix. Are there any unique services that you provide that your current nonprofit organizations find to be especially helpful based on their unique backgrounds, industry, employers, etc.?
  - xx. Of the services that your firm currently offers, do you place an emphasis or priority on any specific service areas?
  - xxi. What types of financial advisory services do you NOT offer?
    1. Are there any services that nonprofit organizations have been disappointed to learn that you don't offer after retaining your firm?
  - xxii. Do you have a minimum account size?
  - xxiii. Do you offer any of your services a la carte?
    1. If so, which services are offered a la carte?
  - xxiv. Do you offer wealth management services?
    1. What is your definition of wealth management?
    2. Do you consider our overall financial plan?
    3. Will you consider all the assets and liabilities on our balance sheet?
- b. Financial Advisory Services – Financial Planning:
- i. What **financial planning** services does your firm provide?
    1. Will you help us to develop a financial road map?
    2. Are your financial planning services highly specialized?
    3. Can you provide holistic financial advice and financial planning?
    4. Can you help nonprofit organizations that have a business?
  - ii. Do you provide comprehensive financial plans?

- iii. Do you provide comprehensive financial planning services?
  - 1. Financial statement preparation and analysis
  - 2. Insurance planning and risk management?
  - 3. Employee benefit planning?
  - 4. Investment planning?
  - 5. Income tax planning?
- iv. What is your approach to financial planning?
  - 1. Do you follow the 7-step financial planning process recommended by the CFP Board of Standards?
- v. Will you create a comprehensive financial plan for us?
- vi. Can you help us to:
  - 1. Implement tax planning strategies?
  - 2. Save taxes on our investment portfolio?
  - 3. Manage a concentrated stock holding?
- vii. What are some examples of how your services have helped your nonprofit organizations to:
  - 1. Enhance development efforts?
  - 2. Reduce taxes?
  - 3. Simplified their financial life?
  - 4. Provided peace of mind?
- viii. Will you help us with:
  - 1. Comprehensive Financial Planning?
    - a. Monthly expense budgeting?
    - b. Tax Planning?
    - c. Review tax planning strategies?
    - d. Review insurance coverage?
    - e. Asset allocation advice for company 401k plans and 403b plans?
- ix. How often will our financial advisor provide guidance on:
  - 1. Investment Planning?
  - 2. Tax Planning?
  - 3. Planned giving?
- x. Will you design and manage our investment portfolio with a view toward long-term tax efficiency, to reduce the “tax drag” upon investment returns?
- xi. What is your approach to financial planning?
- xii. What is your philosophy about the use of debt?
- xiii. What if we only want to take some of your advice?
- xiv. What happens when we don’t do everything that you recommend?
- xv. Will you create a comprehensive financial plan for us?
  - 1. Will you implement the plan and recommendations for us?
    - a. And/or work with other professionals to do so?
    - b. Can we choose to implement them ourselves?
- xvi. What is the process that you use to learn about our financial goals?

- xvii. How do you make sure that our financial plan remains relevant to us and our nonprofit organization?
  - xviii. What type of year end planning do you conduct for your nonprofit organizations?
  - xix. How often is a client's financial plan updated?
  - xx. Can you provide us with an example of a financial plan that you have created for a client?
- c. Advisory Services – Investment Management:
- i. What **investment services** does your firm provide?
    1. Do you provide investment management services?
    2. What types of investment management services does your firm provide?
      - a. Discretionary investment advisory services?
      - b. Nondiscretionary investment advisory services?
      - c. Both discretionary and nondiscretionary advisory services?
    3. What are your regulatory assets under management (AUM)?
    4. How much money does your firm manage for your nonprofit organizations?
      - a. On a discretionary basis?
      - b. On a non-discretionary basis?
    5. For investment assets you manage on a discretionary basis, what is your firm's:
      - a. Largest portfolio account size?
      - b. Smallest portfolio account size?
      - c. Minimum portfolio account size?
      - d. Average (median) portfolio account size?
    6. For investment assets you manage on a nondiscretionary basis, what is your firm's:
      - a. Largest portfolio account size?
      - b. Smallest portfolio account size?
      - c. Minimum portfolio account size?
      - d. Average (median) portfolio account size?
    7. Do you provide:
      - a. Investment policy statement services?
      - b. Asset allocation modeling services?
      - c. Due diligence research on investment managers?
      - d. Investment performance monitoring and evaluation reports?
- F. Investment Approach:
- a. Investment Philosophy:
    - i. What is your investment philosophy?
    - ii. What can you tell us about your investment philosophy?
    - iii. Has your investment philosophy changed in the last 20 years?
      1. And if so, how?

- iv. Who are some of the firm's investment role models?
  - v. Who do your financial advisors consider to be investment heroes?
  - vi. What is your investment approach?
  - vii. What is your investment strategy?
  - viii. Has your investment strategy changed in the last 20 years?
    - 1. And if so, how?
  - ix. What is your philosophy regarding the use of investments with limited transparency such as group annuities, collective investment trusts and sub-advised funds?
  - x. How are your personal assets managed?
  - xi. How do you manage your own money?
- b. Evidence-based Investing:
- i. What is your advice to us about how to approach investing?
  - ii. What information do you use to make investment decisions?
  - iii. Do you believe that active investment managers can beat the market with stock selection and market timing?
  - iv. What is your philosophy on active versus passive investment management?
  - v. What is your firm's position on indexing?
  - vi. Are you buy and hold investors?
    - 1. Or are you more tactical in your investment management?
  - vii. Do you think that you can:
    - 1. Beat the market?
    - 2. Consistently beat the market?
    - 3. Pick winning stocks?
    - 4. Forecast interest rates?
    - 5. Forecast stock market fluctuations?
    - 6. Time the market?
  - viii. What is your investment philosophy regarding alternative investment options such as commodities, real estate, infrastructure, natural resources, derivatives, private equity and venture capital?
  - ix. What is your investment philosophy regarding socially responsible investing?
  - x. Will you provide us with a summary of the academic evidence that supports the investment strategies that you recommend to us?
- c. Investment Decision-Makers:
- i. Who is responsible for investment decisions at your firm?
    - 1. Does your firm have an investment research department?
    - 2. Does your firm have an investment committee?
      - a. Who is on your investment committee?
      - b. How often does your investment committee meet?
      - c. Do you have a formal recommended list of investment managers?
      - d. How often are your recommended investment managers reviewed?

3. Does your firm have a Chief Investment Officer?
- d. Global Standard of Fiduciary Excellence:
    - i. What expertise does your firm have regarding the Global Standard of Fiduciary Excellence?
    - ii. How would you propose to assist us in adhering to the Global Standard of Fiduciary Excellence?
    - iii. Will you assist us to implement the Prudent Practices for Investment Stewards?
      1. What are the specific Prudent Practices investment criterion for which your firm is willing to take responsibility?
      2. What are the specific Prudent Practices investment criterion for which your firm **does not** take responsibility?
    - iv. Is your firm certified by the Centre for Fiduciary Excellence (CEFEX)?
      1. If not, are you planning to get certified by the Centre for Fiduciary Excellence (CEFEX) in the future?
    - v. Are any of your current nonprofit organizations certified by the Centre for Fiduciary Excellence (CEFEX)?
    - vi. How would you suggest that we measure and evaluate the performance of your firm as a fiduciary investment manager relative to applicable State statutes?
    - vii. What is the current number of **discretionary** institutional client relationships (and the related assets under management) that you manage that are governed under:
      1. UPMIFA?
      2. UPIA?
      3. UMPERSA (or State equivalent)?
      4. ERISA?
    - viii. What is the current number of **non-discretionary** institutional client relationships (and the related assets under management) that you manage that are governed under:
      1. UPMIFA?
      2. UPIA?
      3. UMPERSA (or State equivalent)?
      4. ERISA?
    - ix. What is the asset under management (AUM) size and length of relationship for your five oldest discretionary institutional relationships?
- G. Prudent Investment Decision-Making Process (Fiduciary Quality Management System):
    - a. Organize:
      - i. How will your firm help us to establish our financial goals?
      - ii. Will all investment decision-makers be aware of (and acknowledge) their fiduciary duties and responsibilities?
      - iii. Will our investments be managed consistent with all applicable governing documents?

- iv. How will the roles and responsibilities of all involved parties (fiduciaries and non-fiduciaries) be defined and documented?
  - v. Will you identify conflicts of interest and address conflicts of interest in a manner consistent with the duty of loyalty?
  - vi. Will our agreements with all service providers be in writing and consistent with fiduciary standards of care?
  - vii. Will our portfolio assets be protected from theft and embezzlement?
- b. Formalize:
- i. Time Horizon:
    - 1. Will you help us to identify an investment time horizon for each objective of our portfolio?
  - ii. Expected Returns:
    - 1. Will you help us to identify an expected return to meet each investment objective for our portfolio?
    - 2. What do you think is a good investment return for us?
    - 3. What do you think would be a realistic expected return on our portfolio?
    - 4. How will you achieve our long-term real return objective of 5% per year above the rate of inflation?
    - 5. How do you derive your capital markets projections?
    - 6. How does your firm develop asset class assumptions?
  - iii. Risk Profile:
    - 1. Will you help us to identify an appropriate risk level for our portfolio?
    - 2. How do you assess an investor's risk profile?
      - a. What are the various types of investment risk that we will be exposed to?
        - i. Stock market?
        - ii. Interest rates?
        - iii. Inflation?
        - iv. Etc.
      - b. How would you protect us from a stock market crash?
      - c. What would expect will be the most that our portfolio will go down in a bad market for stocks?
        - i. What is the worst-case scenario?
      - d. What will we do if the stock market goes down?
      - e. What will we do when the stock market goes down?
      - f. What will you do when the stock market goes down?
  - iv. Asset Allocation:
    - 1. Will you help us to select asset classes that are consistent with our portfolio's time horizon and risk and return objectives?
    - 2. Will you help us to select asset classes that are consistent with implementation and monitoring constraints?
    - 3. How do you describe your firm's asset allocation process?

4. Do you use asset allocation to manage investment risk?
    - a. How do you diversify investment portfolios?
    - b. Will any of our investments go up when our other investments go down?
    - c. How diversified are your portfolios?
    - d. Are your asset allocation recommendations customized per client objectives?
    - e. Do you diversify by asset class?
    - f. Do you develop asset allocation models?
      - i. If so, do you have full-time staff dedicated to the development of your modeling capabilities?
        1. If so, how would you describe their professional qualifications?
    - g. Do you use an asset allocation software package?
      - i. Is this developed in-house or purchased externally?
        1. If purchased externally, who is the vendor?
  - v. Investment Policy:
    1. Will you help us to develop an investment policy statement that contains sufficient detail to define, implement and monitor the portfolio's investment strategy?
    2. If we retain your firm, who will draft our investment policy statement?
    3. How do you prepare an investment policy statement?
    4. What are the key issues to consider in establishing an investment policy for an individual investor?
    5. Could you provide us with a sample investment policy statement?
    6. If we engage you to design and/or manage our investment portfolio, will you provide us with an Investment Policy Statement that describes the investment strategy recommended and which establishes a strategic asset allocation for us?
  - vi. Responsible Investing:
    1. If we elect to pursue a socially responsible investment (SRI) approach, will you help us with an appropriate structure to implement these SRI strategies?
    2. with socially responsible Do you have experience with Socially Responsible Investing (SRI)?
    3. Do you have expertise in Socially Responsible Investing (SRI)?
    4. Can you align our investments with our personal beliefs and values?
      - a. What is your experience in this area?
      - b. Can we participate in shareholder resolutions through you to help influence positive change?
  - vii. Can you help us to invest in a tax-efficient investment portfolio?
    1. If so, how?
- c. Implement:

- i. What due diligence criteria are used for selecting investment options?
- ii. What due diligence criteria are used for selecting investment service providers?
- iii. What quantitative factors are used to select and monitor investment options?
  1. How often do you review these factors?
- iv. What qualitative factors are used to select and monitor investment options?
  1. How often do you review these factors?
- v. Will you provide a reasonable due diligence research process to select each investment service provider for our portfolio in a manner consistent with obligations of care?
- vi. When statutory or regulatory investment safe harbors are elected, will you help us to implement each investment strategy in compliance with regulatory requirements when elected?
- vii. Will you document that your decisions regarding investment strategies and types of investments are made in accordance with your fiduciary obligations of care?
- viii. How do you choose investments?
  1. What types of investment vehicles do you:
    - a. Use for your nonprofit organizations?
    - b. Recommend to your nonprofit organizations?
  2. Do you recommend investment vehicles beyond traditional mutual funds and exchange traded funds (ETFs)?
  3. Do you recommend individual stocks?
  4. Do you recommend index funds?
- ix. Investment Managers:
  1. How do you select investment managers?
    - a. What is your investment manager search process?
    - b. How do you describe (in step-by-step detail) your investment manager due diligence research process?
    - c. How has your investment manager research been integrated into your investment management service?
  2. How many full-time staff do you employ who are professionally trained in due diligence research?
    - a. Do you have any relationships with academics outside your firm?
      - i. If so, who are these academics?
    - b. Do you have any relationships with investment manager researchers outside your firm?
      - i. If so, who are these outside researchers?
    - c. How often do your research staff visit (both in-house and on-site) with investment managers?
  3. Do you maintain a database of investment management organizations?
    - a. If so:



- i. Are investment managers required to pay a fee for inclusion in your database?
    - ii. Do you charge investment managers any direct (or indirect) fees to be included in your database or when they are successful in manager searches?
      - 1. If so, what are your fees?
    - iii. Is your database compiled internally or purchased from an outside vendor?
      - 1. If purchased externally, who is the vendor?
  - 4. Do you sell investment manager research?
  - 5. Do you provide conferences for investment managers?
    - a. Is so, do the investment managers have to pay a fee to attend these conferences?
  - 6. How many investment management firms do you currently track?
  - 7. What is your method for gathering information on the investment managers?
    - a. How often is your data updated?
  - 8. What is the process used by your firm to select investment managers?
    - a. Who are your primary investment manager relationships?
    - b. Are they active or passive investment managers?
    - c. Do you have a preferred investment manager?
      - i. If so, what do you like about them?
  - 9. Are the investment manager recommendations standardized across your firm or customized per client preferences?
- x. What is the process used by your firm to select investment custodians?
  - 1. Does your firm use a third-party custodian?
  - 2. Does your firm use independent custodians?
    - a. Which independent custodians do you use?
    - b. Who is your primary independent custodian relationship?
  - 3. Does your firm take custody of any of our investment portfolio assets yourself?
    - a. If so, how and why?
    - b. Does your firm work with any other custodians?
      - i. If not, why not?
  - 4. Where will our cash and funds be held?
  - 5. Where will our investment portfolio assets be held?
  - 6. Who will be sending us our monthly brokerage statements?
  - 7. Who is your primary custodian relationship?
  - 8. Who are the top three custodians (brokerage firms) with whom the firm has placed client accounts and assets?
    - a. How many (the number of) nonprofit organizations do you have with each custodian?

- b. What is the total amount of assets that you have with each custodian?
    - c. Are any of these service providers outside of the jurisdiction of the United States court system?
  - xi. What types of illiquid alternative investments will you utilize for our portfolio?
    - 1. What will be your strategy to maintain enough liquidity in our portfolio to make annual distributions of approximately 5% of the portfolio value each year?
- d. Monitor:
  - i. What process do you use to monitor investments?
  - ii. What tools do you use to monitor investment portfolios?
  - iii. Will you provide us with periodic reports to compare investment performance against appropriate index, peer group, and investment policy statement objectives?
  - iv. Do you perform periodic reviews of qualitative and/or organizational changes of our investment advisors, investment managers, and other investment service providers?
  - v. How does your firm monitor investments?
    - 1. Will your firm send us quarterly performance evaluation reports?
    - 2. If so, how soon after quarter-end are the reports available?
    - 3. Can you provide a sample performance measurement report?
  - vi. How do you describe your firm's performance reporting and evaluation services?
    - 1. Do you comply with Global Investment Performance Standards (GIPS)?
    - 2. Do you comply with Association for Investment Management and Research (AIMR) standards for rate calculation?
    - 3. Do you reconcile your calculated performance with investment managers and custodians?
  - vii. What methods and sources of data do you use in calculating the investment performance of a client's portfolio?
  - viii. How often will our investments be monitored?
    - 1. How often will you review our portfolio?
    - 2. How often are performance reports produced and delivered?
    - 3. Can you provide us with a sample performance evaluation report?
  - ix. What investment benchmarks do you use?
    - 1. How are your benchmarks chosen or developed?
    - 2. How would you describe the development of your custom benchmark(s)?
  - x. What are the databases you use to analyze the performance of an investment manager?
  - xi. What is your approach to rebalancing a portfolio?
    - 1. When will our portfolio be rebalanced?
    - 2. How often will you rebalance our portfolio?

3. How often do you anticipate trading in our portfolio?
- xii. Will you make any tactical changes to the asset allocation in our investment policy statement?
1. How will these tactical changes to our asset allocation be implemented?
- xiii. How does your firm monitor the performance of the investment managers?
1. Does your firm use a database to analyze the performance of a portfolio?
    - a. If so, is this database developed in-house or are they purchased from an outside vendor?
      - i. If an outside vendor, describe your ability to control the contents of the database if the database was no longer available to you?
  2. How does this monitoring process relate to a client's financial goals, financial objectives, and investment policy?
  3. Does your firm maintain investment manager style groups for comparative purposes?
    - a. If so, how are the style groups derived?
  4. Does your firm have an investment manager "watch list" of underperforming investment managers?
    - a. If so:
      - i. What is your firm's criteria for placing an investment manager on your watch list?
      - ii. Under what conditions would an investment manager be removed from the watch list?
  5. What are the guidelines that your firm uses to make the decision to terminate an investment manager?
- xiv. How will you track the compliance of our investment portfolio with our investment policy statement?
- xv. Do you have control procedures in place to periodically review policies for trading practices and proxy voting?
1. Will you take on the responsibility to vote our proxies for us?
  2. Will you vote our proxies for us?
- xvi. Will you conduct periodic reviews to ensure that the investment-related fees, compensation, and expenses that we pay are fair and reasonable for the services provided?
- xvii. Will you help us with a process to periodically review all the investment fiduciaries related to our account relative to their effectiveness in meeting their fiduciary responsibilities to us as the investor?
- xviii. Will you review our investment service provider agreements to ensure that they are consistent with the applicable governing documents?
1. If so, how often will you review these investment service provider agreements?

H. Personalized Service:

- a. Primary Advisor Relationship:
  - i. If we hire your firm, will we have personal access to you as our initial contact at your firm?
  - ii. Who will we work with at your firm?
  - iii. How many professional staff will be assigned to our account?
  - iv. Will we work with a dedicated financial advisor?
    - 1. Or multiple financial advisors?
  - v. Who will be our primary contact at your firm?
    - 1. What are the professional qualifications of this individual?
    - 2. Is this person an Investment Advisor Representative of your firm?
    - 3. Is this person a Registered Representative of your firm?
  - vi. Who are the financial advisors and key staff who would be involved in serving our account?
    - 1. Can you provide their biographical data?
    - 2. Can you provide the following information on the staff members to be assigned to our account:
      - a. First and Last Name?
      - b. Job Title?
      - c. Job Description (Role)?
      - d. Years of experience serving fiduciary nonprofit organizations?
      - e. Year of investment consulting experience?
      - f. Years with the firm?
      - g. Biography/Resume/Dossier?
      - h. Number of accounts as primary (lead) consultant?
      - i. Number of accounts as secondary (support) consultant?
    - 3. Can you provide their professional designations?
      - a. Are the individuals who would be involved in serving our account members of:
      - b. The National Association of Personal Financial Advisors (NAPFA)?
  - vii. How will the investment consulting service team assigned to service our account:
    - 1. Function?
    - 2. Primary consultants?
    - 3. Backup?
    - 4. Quality control?
    - 5. Support services?
  - viii. How accessible will your firm be if we want to call you?
  - ix. Will someone from your firm always be available during normal business hours if we need something ASAP?
  - x. Who can we contact at your firm if we have concerns about how this person has been serving us?
- b. Personalized Client Service - Communication:

- i. What type of communication should we expect from you?
- ii. How will we communicate?
  - 1. In person meetings?
  - 2. Telephone?
  - 3. Email?
  - 4. Zoom calls?
  - 5. Video conferencing?
  - 6. Texting?
- iii. What types of communications options do you provide to your nonprofit organizations?
- iv. Will you put our financial plan in writing?
- v. What frequency of communication should we expect from you?
- vi. How often do you communicate with your nonprofit organizations?
- vii. How often will we communicate?
- viii. How often will you reach out to us?
- ix. How accessible is your firm if we have a question?
- x. How easily can nonprofit organizations get ahold of you?
- xi. When your nonprofit organizations call, how fast is the response?
  - 1. If we leave you a telephone message, when should we expect to receive a call back?
- xii. When your nonprofit organizations send an email, how fast is the response?
  - 1. If we send you an email, when should we expect a reply?
- c. Personalized Client Service - Meetings:
  - i. How often do you meet with your nonprofit organizations to review their situation?
  - ii. How often will we meet?
  - iii. Would we be able to meet with our financial advisor in person?
    - 1. If so, how often?
    - 2. How many times a year will we meet?
  - iv. How often can we expect to meet in person with our financial advisor?
    - 1. Annually?
    - 2. Quarterly?
    - 3. Monthly?
    - 4. As needed?
  - v. How can we expect to meet with our financial advisor?
    - 1. In person?
    - 2. Telephone?
    - 3. Virtually via Zoom?
  - vi. Office Location:
    - 1. How many offices do you have?
      - a. Can you provide us with a list of your office addresses?
      - b. How many employees work in each office location?
    - 2. Which office would service our account?

3. Where is this office?
  - a. Is parking free?
    - i. If not, does your firm cover the cost of parking at your office?
  - vii. What are your normal business hours?
- d. Personalized Client Service – Information Management:
  - i. How can we track our financial accounts?
  - ii. Can we access our financial account information online?
  - iii. Do you provide an electronic document portal?
    1. To share documents with us?
    2. To organize files for us?
  - iv. What technology do you have in place that helps your firm to provide excellent service to your nonprofit organizations?
- e. Personalized Client Service – Client Relationship Management:
  - i. How many client relationships does your firm have?
  - ii. How many nonprofit organizations does your firm serve?
    1. Ongoing fee retainer nonprofit organizations?
  - iii. How many nonprofit organizations does a primary financial advisor serve?
  - iv. What is the average number of nonprofit organizations per advisor?
  - v. Does the firm have a maximum limit on the number of nonprofit organizations assigned per advisor?
  - vi. How many new nonprofit organizations does your firm take on each year?
  - vii. How many years has your firm’s longest client relationship been with your firm?
  - viii. How well do you get to know your nonprofit organizations?
  - ix. How many nonprofit organizations does your firm lose in an average year?
    1. What is your historical client retention rate in percentage terms?
    2. Why do nonprofit organizations terminate their relationships with your firm?
    3. Why did your last two nonprofit organizations leave you?
  - x. How many of your nonprofit organizations were terminated in the past three years?
    1. Why was the relationship terminated?
    2. What was the total value of those assets managed?
  - xi. What is the client turnover (net client gains and losses) at your firm over the last three years?
  - xii. Has the firm ever fired a client?
    1. If so, why?
  - xiii. How many nonprofit organizations does each financial advisor serve?
  - xiv. What is your firm’s:
    1. Ideal client to advisor ratio?
    2. Current client to advisor ratio?
  - xv. What is your net promoter score?

- f. Personalized Client Service – Outside Professional Advisors:
  - i. Do you collaborate with your nonprofit organizations outside professional advisors?
  - ii. Will you work with professionals outside of your firm?
    - 1. If yes, can you provide us with a list of their names, roles and qualifications?
    - 2. Do you have any that you recommend?
  - iii. Do you help to coordinate joint meetings with a client’s accountant, attorney, insurance agent or mortgage banker if requested?
  - iv. Will you coordinate with our other professional advisors?
    - 1. If so, how will you coordinate with our other professional advisors?
    - 2. How will you work with our other professional advisors?
      - a. Accountants?
      - b. Attorneys?
  - v. Will you be willing to work with our:
    - 1. Tax accountant?
    - 2. Planned giving attorney?
    - 3. Banker?
    - 4. Mortgage banker
    - 5. Insurance agent?
    - 6. Other professional advisors?
  - vi. Do you refer your nonprofit organizations to other service providers?
    - 1. If so, for what services?
      - a. Accountants?
      - b. Attorneys?
      - c. Coin dealers?
      - d. Art appraisers?
      - e. Commercial bankers?
      - f. Mortgage bankers?
- g. Personalized Client Service – Team Approach:
  - i. Will we have a team of people that work with us?
    - 1. If so, who will be working with us?
  - ii. Do your financial advisors work together to serve your nonprofit organizations?
    - 1. Or do they work independently and individually?
  - iii. Does your firm use a team approach to serving your nonprofit organizations?
    - 1. If so, how many team members will be involved in providing service to us as a client of your firm?
      - a. Who will these individuals be?
- h. Personalized Client Service – Segmentation:
  - i. Does each client get the same service?
  - ii. Does your firm segment your client base?
    - 1. If so, is this segmentation based on:

- a. Account service type?
    - b. Account size?
    - c. Account revenue?
    - d. Client age?
  - iii. Does your firm differentiate client service by service tiers?
    - 1. If so:
      - a. What services are offered at each tier?
      - b. Which service tier would we fall under?
      - c. How does your grouping of nonprofit organizations influence who is assigned as our financial advisor?
  - i. Personalized Client Service – Events:
    - i. Does your firm host client events?
    - ii. Does your firm provide nonprofit organizations with free tickets to:
      - 1. Sporting events
      - 2. Cultural events: Theater, Music, Opera, Art
      - 3. Social events: Wine tastings, Steak dinners
  - j. Personalized Client Service – Tailored Experience:
    - i. How will we work together?
    - ii. How flexible are you in:
      - 1. Working with nonprofit organizations?
      - 2. Serving individuals in other States when they request a meeting?
    - iii. Can your nonprofit organizations choose to get documents via postal mail, email or a combination of the two?
    - iv. Do you offer your nonprofit organizations options on how they want to:
      - 1. Receive things?
      - 2. Have things processed?
      - 3. Sign documents?
    - v. Do you offer to help the adult children of your nonprofit organizations?
    - vi. How does your firm help a nonprofit organization when a client of the firm passes away?
    - vii. Do you help your nonprofit organizations with investment research when they want to invest in something that is outside what is typically recommended by your firm?
    - viii. Can you give us an example of how your firm has provided excellent client service?
  - k. Personalized Client Service – Client Experience:
    - i. How will our relationship work?
    - ii. How much access will we have to our financial advisor?
- I. Business Management:
  - a. What is the primary business focus of your firm?
  - b. What is your firm’s corporate culture?
    - i. What is your vision?
    - ii. What is your mission?



- iii. What are your core values?
- c. Does your firm have a written code of conduct or a set of standards for professional behavior?
  - i. If so, how are they monitored and enforced?
- d. Does your firm have written procedures and policies that the employees follow?
- e. How are your financial advisor's recommendations to nonprofit organizations reviewed and monitored by your organization?
- f. Does your firm have:
  - i. Fiduciary liability insurance coverage?
  - ii. A data security policy?
  - iii. A business continuity plan?
  - iv. A management succession plan?
  - v. An ownership succession plan?
  - vi. A privacy policy?
    - 1. Does your firm share our information with anyone?
      - a. If so, with who?
      - b. and for what purposes?
- g. Does your firm maintain business insurance coverage for:
  - i. Management Liability - Directors & Officers (D&O)?
  - ii. Professional Liability - Errors & Omissions (E&O)?
  - iii. Cyber Risk – Data Breaches & Cyber Crime?
  - iv. ERISA Bonds – Required by DOL?
  - v. Surety Bonds?
  - vi. Fiduciary Liability?
    - 1. If so,
      - a. What is the dollar amount of the coverage?
      - b. What is the name of the issuer?
      - c. Is the coverage on a per client basis or does it apply to the firm as a whole?
- h. How does your firm safeguard our information?
- i. What type of cybersecurity procedures does your firm have in place to protect your nonprofit organizations?
  - i. How secure is your firm relative to the cybersecurity threat?
  - ii. How important is data security to your firm and your employees?
- j. What can you tell us about your:
  - i. Management succession plan?
  - ii. Ownership succession plan?
- k. How many full-time staff are employed by your firm?
- l. How many employees do you have?
  - i. What are their roles?
- m. What is the current number of professional staff members?
  - i. What are positions?
- n. Can you provide an organization chart for your firm's employees?

- o. Can you provide an organization chart for your firm's business entities?
  - p. Does your firm perform background checks on all new employees?
    - i. What is the firm's screening process for hiring new employees?
  - q. How do you compensate your professional staff?
    - i. Salary?
    - ii. Bonus?
    - iii. Commission?
    - iv. Other?
  - r. What is your firm's compensation arrangement for professional staff?
    - i. Are they paid a base salary?
    - ii. Can they earn bonuses?
    - iii. Can they earn sales commissions on the sales of investment products?
  - s. What is the history of the staff turnover at your firm?
    - i. What changes have there been in your staff in the last three years?
    - ii. What is the historical turnover rate at your firm for:
      - 1. Employees?
      - 2. Financial advisors?
  - t. What is the total turnover in professional staff (as opposed to support staff) during the last three years?
    - i. Hired?
    - ii. Terminated?
    - iii. Resigned?
  - u. What types of internal committees does your firm have to manage the business?
  - v. What types of external committees does your firm have to get advice from nonprofit organizations and outside business experts?
  - w. What awards or accolades has your firm received?
- J. Marketing Strategy:
- a. What is the benefit of your service to us?
  - b. What is the biggest value that you provide to your nonprofit organizations?
  - c. Who is your ideal client?
  - d. How do you describe your ideal client?
  - e. Am we a good fit for your firm?
    - i. Who is your typical client?
    - ii. What types of nonprofit organizations do you typically work with?
    - iii. What is the age of your typical client?
    - iv. What can you tell us about your typical client?
      - 1. How are we similar or different?
    - v. Have you worked with other nonprofit organizations like us?
    - vi. Do you have experience helping people like us?
    - vii. Do you work with nonprofit organizations that have situations like ours?
    - viii. Do you have a minimum account size?
  - f. Who are your competitors?

- i. What key strengths or competitive advantages does your firm possess that might lead to:
      - 1. superior investment performance?
      - 2. excellent customer service?
  - g. What differentiates your firm from other financial advisory firms?
    - i. Are you the only NAPFA firm in our area?
    - ii. What makes you believe that your firm might be a better fit for us than another financial advisory firm?
  - h. How does your firm generate new nonprofit organizations?
    - i. Where do most of your firm's new nonprofit organizations come from?
  - i. Does your firm have special expertise serving any specific type of investor?
  - j. Does your firm have experience helping nonprofit organizations such as:
    - i. 501(c)3?
    - ii. Family Foundations?
    - iii. Community Foundations?
    - iv. Corporate Foundations?
    - v. Endowment Funds?
    - vi. Charitable Trusts?
  - k. Does your firm focus on any specific target client niche markets?
  - l. Does your firm have a client specialization?
  - m. What is your target market?
    - i. Do you target a specific portfolio size?
    - ii. Do you believe that we belong in your target market?
    - iii. Do you believe we are a good fit for your advisory services?
      - 1. Why or why not?
    - iv. Are your nonprofit organizations typically like us?
      - 1. If not, how do they differ?
  - n. Could you describe your ideal client?
  - o. Could you describe your typical client?
  - p. How many other nonprofit organizations that you work with have circumstances that resemble ours?
  - q. Would we be a relatively large or small client of your firm?
  - r. What is the average portfolio size of your clientele?
  - s. Do you pursue new nonprofit organizations via referral marketing?
    - i. Do you compensate anyone (nonprofit organizations, employees, other professionals, etc.) for referrals?
    - ii. Do you have any solicitor relationships?
- K. Third-Party Firm Certifications:
  - a. Is your firm CEFEX certified?
    - i. If so:
      - 1. When did you originally get CEFEX certified?
      - 2. What CEFEX specialty have you been certified for?

- b. Is your firm a member of the National Association of Personal Financial Advisors (NAPFA)?
    - i. If so:
      - 1. When did your firm originally get NAPFA approved?
      - 2. Do you have any NAPFA-Registered Financial Advisors on your team?
        - a. If so:
          - i. How many?
          - ii. Can we request that we have a NAPFA-Registered Financial Advisors assigned to us as our personal financial planner?
- L. Cost:
  - a. Financial Advisory Services – Advisory Fees:
    - i. How do you get paid?
      - 1. How are you paid?
      - 2. How do you get compensated?
      - 3. How are you compensated?
      - 4. Do all financial advisors charge the same fees?
      - 5. Are you more expensive compared to your competitors?
      - 6. What are your fees?
    - ii. What is your investment management fee?
      - 1. What is your fee structure?
      - 2. What is your fee schedule?
        - a. For wealth management services?
        - b. For investment management services?
        - c. For financial planning services?
      - 3. Does your firm fully disclose all fees a client may incur?
      - 4. Do you have a minimum fee?
      - 5. How much do you typically charge?
    - iii. What are all of the costs associated with your service?
      - 1. Can you provide us with an estimate of possible charges based on the services that will be utilized and any products that will be used to implement our financial plan?
    - iv. Are you a fee-only financial advisor?
      - 1. If so, are you a fee-only advisor all of the time?
    - v. How do you expect to be paid for services rendered?
    - vi. How will we pay for your services?
    - vii. Will we pay:
      - 1. a fee based on a percentage of the investable assets that you manage for us?
      - 2. an hourly rate or a fixed fee by the service?
      - 3. a monthly or quarterly retainer fee (subscription fee) for your services on an ongoing basis?
      - 4. a commission on a transaction?
    - viii. Do we pay you monthly, quarterly or annually?

- ix. How will you charge us for your services?
  - 1. Commissions?
  - 2. Planning Fees?
  - 3. Hourly fee?
  - 4. One time project fee?
  - 5. Ongoing flat retainer fee?
  - 6. Ongoing fee based on assets under management?
    - a. If so, how do you determine our portfolio size to calculate the fee?
    - b. How will we pay you our investment advisory fee?
    - c. How often will you debit your advisory fee?
      - i. Monthly?
      - ii. Quarterly?
      - iii. Annually?
      - iv. Other?
- x. What is your investment management fee schedule?
  - 1. Can you provide us with a copy of the fee schedule for the services provided by your firm?
  - 2. Can you provide us with a written example of how we will pay your advisory fee out of our investment account?
  - 3. How do you determine our portfolio size to calculate our investment management fee?
- xi. How will we know if you've really earned your fee?
- xii. How much does it cost to work with you?
  - 1. Can you put that in writing for us?
- xiii. Does your firm accept soft dollars as a method of payment for services provided?
  - 1. If so, how do you prevent conflicts of interest?
  - 2. What are the advantages and disadvantages you see in the use of soft dollar payments?
- xiv. If hired, will your firm receive any other form of compensation for working with our account that has not yet been revealed?
  - 1. If so, what is the form of compensation?
- xv. To help us understand how the various investment fees and costs might affect our investments, will you provide to us a written estimate of the total fees and costs (including your investment advisory fees, annual expense ratios of mutual funds and ETFs, and transaction costs relating to trading – either by you or by the mutual funds and ETFs or other pooled investment vehicles that you recommend to us) that we will incur in connection with our investments?
- xvi. If we give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for us?
  - 1. What are our all-in costs?
  - 2. What is the dollar amount that we will pay for your services?

3. How much money (in dollars) will come out of our pocket every year?
- b. Independent Third-Party Investment Manager Fees:
    - i. What is the average cost of the investment managers that you recommend?
    - ii. What is the average expense ratio across all the mutual fund investments that you recommend?
- M. Conflicts of Interest:
- a. How does your firm make money?
  - b. What are the potential conflicts of interest that you will have with us?
  - c. Are there any potential conflicts of interest issues that your firm would have in servicing us as a client of your firm?
    - i. If so, how would you describe them?
  - d. What conflicts of interest does your firm have with us as your client?
    - i. How might these conflicts of interest affect us?
    - ii. And how will your firm address them?
  - e. What are the conflicts of interest that may arise from this engagement including the activities of any of your:
    - i. Affiliated companies?
    - ii. Subsidiaries?
    - iii. Parent company?
  - f. How does your firm identify and manage conflicts of interest?
  - g. Can you describe for us any conflicts of interest that we should be aware of?
  - h. Do others stand to gain from the financial advice you give us?
  - i. Has your firm provided any gifts or other remuneration (or paid any expenses for travel, hotel, meals or entertainment) on behalf of any decision-maker related to our account during the past twelve months?
    - i. If so, how would you describe the amount and the purpose of these expenses?
  - j. What is the nature of the professional relationship that your firm (or any anyone in your firm) has had with any decision-maker related to our account during the past three years?
  - k. If your firm (or any affiliate) provides non-fiduciary services, what policies or procedures has your firm established to avoid or eliminate any potential conflicts of interest that could arise from this engagement?
  - l. Are there any circumstances in which your firm (or any individuals in your firm) receive compensation, finder's fees or any other benefit from investment managers or third parties?
    - i. If so, how would you describe these circumstances?
  - m. Does your firm (or any of your firm's affiliates) receive any compensation from third parties, including but not limited to:
    - i. Charges for inclusion in your firm's investment manager database?
    - ii. Conference fees?
    - iii. Brokerage commissions?

1. If so, how do you describe the nature of these services and compensation?
- n. Does your firm receive any third-party compensation for recommending a particular investment or group of investments?
  - o. Financial payments to a financial advisory firm from **investment managers** create a conflict of interest for the financial advisor when providing objective and unbiased advice to nonprofit organizations about that specific investment manager.
    - i. Do you have relationships with any of the investment managers that you recommend?
      1. If so, how would you describe those relationships?
    - ii. Does your firm receive payments from any of the investment managers you recommend, consider for recommendation, or otherwise mention?
      1. If so:
        - a. How would you describe those relationships?
        - b. What is the extent of these payments in relation to your other income (revenue)?
    - iii. Does your firm have any policies or procedures to address the conflicts of interest that these financial relationships with investment managers might create?
    - iv. Do you have any policies or procedures to address conflicts of interest or to prevent these payments or relationships from being considered when you provide advice to your nonprofit organizations?
  - p. Does your firm have any arrangements with **brokerage firms** under which your firm (or a related company) will benefit if investment managers place trades for their nonprofit organizations with such brokerage firms?
    - i. Do you profit from any trades that go through a brokerage firm?
  - q. Does your firm accept any sort of revenues sharing to include, but not limited to:
    - i. 12b-1 fees?
    - ii. Sub-TA fees?
      1. If so, how do you describe these payments and how are they used and accounted for?
  - r. Does your firm receive compensation from any of the investment service providers that you recommend?
    - i. Investment custodians?
    - ii. Investment brokerage firms?
    - iii. Investment management firms?
    - iv. Mutual fund companies?
    - v. Insurance company product providers?
    - vi. Banks?
  - s. What percentage of your nonprofit organizations utilize investment managers, investment funds, brokerage services or other service providers from whom you receive fees?

- t. If your firm has financial relationships with investment service providers from whom the firm receives financial compensation:
    - i. How does your firm describe and disclose these relationships?
    - ii. What percentage of your nonprofit organizations utilize investment managers, investment mutual funds, custodians, brokerage services or any of the other investment services providers from whom your firm receives financial compensation?
  - u. Will you NEVER recommend to us any proprietary product, nor any investment or insurance product for which you, your firm, or any affiliated firms receive any material compensation, including but not limited to commissions, 12b-1 fees, payment for shelf space, or any other form of revenue sharing?
  - v. Does your firm receive any soft dollar or other economic benefits from your custodian?
  - w. To better ensure that our investment assets are protected:
    - i. Will you utilize an independent custodian (such as a discount broker-dealer firm, such as Schwab, Fidelity, Vanguard, etc.)?
    - ii. Will you avoid taking custody over our assets (except for deduction of fees supervised by the independent custodian)?
  - x. Will you ensure that the independent custodian provides us, directly to us from the independent custodian, monthly or other periodic reports that verify our holdings?
  - y. If you allow nonprofit organizations to pay your investment advisory fees using the client's brokerage commissions:
    - i. Do you monitor the dollar amount of commissions paid and alert your nonprofit organizations when their investment advisory fees have been paid in full?
      - 1. If not, how can your client make sure that they do not overpay their investment advisory fees to your firm?
    - ii. What steps do you take to ensure that your client receives best execution for their securities trades?
  - z. What percentage of your nonprofit organizations utilize investment managers, money managers, investment funds, custodians, brokerage services or other investment service providers from whom you receive fees?
- N. New Client Onboarding Process:
- a. What information do you need to develop a formal proposal?
    - i. Investment management proposal?
    - ii. Comprehensive financial plan?
  - b. Will you, upon our request, put the answers to our questions in writing?
  - c. Can you provide us with some client references?
  - d. Can you provide us with three to five client references?
  - e. Can you provide the names of three references including the contact's name, mailing address, telephone number and email address?
  - f. Can we talk with some of your current nonprofit organizations?
  - g. Can you share the names of three financial advisory firms that are similar to your firm?



- h. Can you share the names of three other financial advisory firms who are very different from your firm?
  - i. Can we work with one of your financial planners before we commit to investing our money with your firm?
  - j. What is the process for us to come onboard as a new client of your firm?
    - i. What does the paperwork process look like?
    - ii. Will we have to take a tax hit to hire your firm?
  - k. If we were to work together, how would you measure success in our relationships:
    - i. For us as the client?
    - ii. For you as the financial advisor?
- O. Client Agreement:
- a. Can you share with us a copy of your firm's standard client agreement?
  - b. How often do you make changes to your client agreement?
  - c. Have you had any legal disputes stemming from your client agreement?
  - d. If we change our mind in the future, how do we terminate our relationship?
  - e. Am we locked into an annual contract with your firm?
  - f. What happens when we stop working together?
- P. Financial Education:
- a. Do you help to educate your nonprofit organizations?
  - b. What forms of financial education can we expect as a client of your firm?
  - c. What type of educational opportunities do you provide for your nonprofit organizations?
  - d. What type of educational events do you sponsor?
  - e. What kinds of learning workshops do you offer?
  - f. Will you teach us about:
    - i. Investing?
    - ii. Financial planning?
    - iii. Wealth management?
  - g. Can you teach our children about investing?
  - h. Do you provide education to nonprofit staff and investment committee members?
  - i. Do you provide educational opportunities to your client's nonprofit organization trustees and staff?
    - i. How would you describe the educational opportunities provided to your client's nonprofit organization trustees and staff?
    - ii. What are the qualifications of the presenters at your educational workshops?
  - j. Can you teach nonprofit board members about their fiduciary obligations?
    - i. Does your organization offer training for trustees as it relates to their fiduciary responsibilities?
      - 1. How do you describe the materials available to facilitate the training?
      - 2. How do you describe the qualifications of the individuals assigned to conduct the training?

*Sources: Allodium Investment Consultants, CFP Board of Standards, Financial Planning Association (FPA), National Association of Personal Financial Advisors (NAPFA), fi360 (a Broadridge Company), CEFEX, Prudent Champion, Inc., Scholar Financial, FiduciaryPath.*

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