The Power of Questions

QuickGuides

Helping You be an Informed, Aware and Careful Consumer

5 Vital Questions

To Ask Your Advisor about Your Brokerage/Advisory Account

Whether you have complete trust and confidence in your financial advisor, or have questions or concerns, it's good business to confirm on a periodic basis that:

- ☐ Your account is being managed in a way that is appropriate for your investment objective, investing time horizon and tolerance for risk.
- ☐ Your advisor's guidance and management skills, bring meaningful and measurable value.
- ☐ Your advisor is disclosing and controlling your total costs.

This guide offers five questions for you to consider asking your advisor regarding your brokerage advisory account. These questions can be helpful as part of your overall account monitoring process which should include a thorough review of your account statement and all other official communications from your brokerage/advisory firm.

While much of the information your QuickGuide requests may be found in statements, agreements, contracts and disclosures, only your QuickGuide:

- ☐ Asks straightforward questions that call for straightforward answers
- ☐ Creates awareness of key information
- ☐ Increases your ability to make more-informed and beneficial decisions

The questions are based on industry best practices for disclosure. There are no "zinger" or "gotcha" questions.

Contents

Contents	Page
Instructions	2
"5 Questions" Questionnaire (for the advisor to complete)	3
Notes and Explanations	5
Disclaimer	6

Instructions

What to Do

1. Provide your advisor with a copy of the questionnaire for them to complete. (Print pages 3 and 4).
   - ☐ Decide on the reporting period. If this is your first time using this guide, use a 12-month period closest to the most recent ending quarter. For example, if you plan to use this guide on April 6th, use March 31st of the previous year and March 31st of the current year as your reporting period.
   - ☐ Your advisor will provide the beginning and ending-period account balances.

   Note: Going forward, use this guide annually; preferably for a full calendar year reporting period, i.e., Dec. 31st to Dec. 31st.

2. Once completed, there are two ways to review the completed questionnaire:
   - ☐ During a face-to-face meeting with your advisor (recommended).
   - ☐ Have your advisor send it to you.
3. Refer to the "Notes and Explanations" section when reviewing the completed questionnaire.

What to Say

Whether you hand deliver, mail or email the questionnaire to your advisor, here's what you want to convey: *"To help me know more about my account, how it's being managed, how it's doing, and what I'm paying in total costs*, *I'd appreciate you providing responses to my list of questions."*

5 Questions

For Commission and Fee-based Advisory Accounts

To help me know more about my account, how it's being managed, how it's doing, and what I'm paying in total costs, please provide answers to the following questions.

Date: ________________ Report Period: ________________ to _________________

Beginning Period Account Value: $_______________ Ending Value: $_______________

My Investment Objective and Risk Tolerance

1. What is my account's investment objective, investing time horizon and risk tolerance?

   Objective: _____________________________________ Time horizon (years): _____

   Account purpose (optional): ____

   Risk tolerance: ____

Allocation, Diversification and Investments

2. Please confirm that my asset allocation, how my account is diversified, the individual investments I own, and the trading activity are all appropriate for me based upon my account's stated investment objective, investing time horizon and risk tolerance.

   ☐ I confirm they are.

Account Returns

3a. What was my account's return for the period? _______%

3b. If I have a goals-based target rate of return, what is it? _______% ☐ N/A

3c. Based upon my account's investment objective and asset allocation, would the return for the period generally be regarded as competitive when measured against an appropriate benchmark of market indices, or against my goals-based target?

   ☐ Yes ☐ Not for this measurement period

   Additional Information/Comments on Return (optional). Use key phrases.

   ____

   ____

   ____

   ____

   ____

Total Costs

4. Please itemize what I paid in advisory fees (if applicable), commissions (if applicable), and an estimate of what I paid in any underlying expenses for the reporting period.[1]

   a. Advisory Fees (if applicable): $____________

   b. Commissions (if applicable): $____________

   c. Mark-ups/mark-downs on individual bonds: $____________

   d. Front-end/back-end sales charges on mutual funds and other products: $____________

   e. Estimated dollar amount paid during the reporting period in internal expenses on mutual funds/ETFs, other underlying expenses, etc.:[2] $____________

   (Please use a holdings-weighted method for calculating total internal expenses. Use beginning-period holdings and values.)

   e. Other costs: $____________

   f. Total Estimated Costs (dollar amount): $____________

   g. Total Estimated Costs (as a percent of the period-ending value of my account: _______%

My Interests

5. Please confirm that you continue to put my financial needs and interests first.

   ☐ I confirm.

Date completed: ________________

Advisor initials: _________

---

[1] I/we, the account owner(s), understand that total costs can vary significantly from one period to another, especially for commission - based accounts. New deposits into the account, selling investments to raise cash for a withdrawal, or a change in strategy can significantly increase costs during the reporting period in which they occur.

[2] I/we, the account owner(s), understand that valuations and additions/subtractions to mutual fund/ETF, etc., holdings during the reporting period will affect the actual internal fund expenses. This estimate will be regarded as a good faith approximation of total costs. Actual costs may be higher or lower.

Notes and Explanations

Reviewing the Responses

1. *What is my account's investment objective, risk tolerance and investing time horizon?*

   Investment objectives are the marching orders for the account. You establish your investment objective when you open a new brokerage account. While the wording of investment objectives may differ between brokerage firms, they are typically composed of two parts. For example:

   - ☐ The investing part may be worded "growth" or "income" or "growth and income".
   - ☐ The risk tolerance part may be worded "conservative", "moderate" or "aggressive".

   Using the above wording as an example, if you are seeking growth from your investments and your tolerance for market risk is moderate, then your investment objective may be described as "Moderate Growth". Some descriptions may also include investing time horizon, e.g., "Long Term Growth".

   ? What does a good answer look like?

   The investment objective, risk tolerance and investing time horizon are appropriate and accurately reflect your goals and investing disposition.

2. *Please confirm that my asset allocation, how my account is diversified, the individual investments I own, and the trading activity are all appropriate for me based upon my account's stated investment objective, investing time horizon and risk tolerance.*

   From asset allocation to security selection to trading activity, your advisor has a regulatory obligation to handle your account in a way that is appropriate for your investment objective, risk tolerance and investing time horizon. This question simply asks your advisor to confirm that he/she is handling the account in a way that is appropriate for you.

   ? What does a good answer look like?

   The "I confirm they are" box is checked.

3a. What was my account's return?

? What does a good answer look like?

The rate of return for the period is stated.

Note: Most advisors can generate a performance (rate of return) report right from their computer. Note: There is more than one way to calculate returns. Your advisor is happy to explain the method used to calculate your account's return.

3b. If I have a goals-based target rate of return, what is it?

Many advisors establish a goals-based target return for their client's account. A goals-based return is the annual return your account needs to achieve to help you meet your financial goals.

? What does a good answer look like?

The goals-based target rate of return benchmark is entered.

3c. Based upon my account's investment objective and asset allocation, would the return for the period generally be regarded as competitive when measured against an appropriate benchmark of market indices, or against my goals-based target?

Not knowing whether your account's returns are competitive or underperforming against an established benchmark (market-based or goals-based) could cost you hundreds or even thousands of dollars every year. That's not good business.

Note: don't expect your account to always post competitive returns. It just doesn't happen. It's best to evaluate your account's returns over a multiple-year period.

? What does a good answer look like?

Your advisor has checked one of the boxes and has provided comments that help explain your account's return.

4. Please itemize what I paid in advisory fees (if applicable), commissions (if applicable), and an estimate of what I paid in any underlying expenses for the reporting period.

While advisory fees, commissions and underlying expenses are part of doing business with a full-service advisor. It's good business to know what you're paying for, and how much that is.

? What does a good answer look like?

Every field is filled, and the total costs are calculated as a dollar amount and as a percent of the account's value.

5. Please confirm that you continue to put my financial needs and interests first.

While your advisor must adhere to certain standards of care in the handling of your account, this question does two things: 1) it allows you to assert that you expect your advisor to always put your financial needs and interests first, and 2) provides a way for your advisor to confirm that indeed he/she does.

? What does a good answer look like?

The "I confirm" box is checked.