DecisionPoint
Financial Wellness

The Power of Questions

QuickGuides

Helping You be an Informed, Aware and Careful Consumer of Financial Services

# Rollover: 10 Key Questions

## Is Rolling-Over My Retirement Plan Account into an IRA Right for Me?

Most employees who are considering rolling-over their retirement plan account into an IRA with a financial advisor don't really know what questions to ask the advisor when deciding whether a rollover is really in their best interests. This guide offers ten questions for you to consider asking the advisor. Using this guide in addition to other questions and forms of due diligence will be beneficial in helping you make a more-informed decision.

## Helpful Tips

While much of the information your questionnaire requests may be found in statements, agreements, contracts and disclosures the advisor provides, 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 questionnaire is based on industry best practices for disclosure. There are no "zinger" or "gotcha" questions.

## Contents

# Instructions

## What to Know

The “Rollover” questionnaire in this guide offers the most benefit when completed by the advisor before any decisions are made.

## What to Do

If you decide this guide may be beneficial to you, just follow these easy instructions:

1. Read QuickGuide, “Retirement Plan Distribution Options”
2. Provide the advisor with a copy of the questionnaire for them to complete. (Print pages 3 and 4).
3. Once completed, there are two ways to review the completed checklist:
   - ☐ During a face-to-face meeting with the advisor (recommended).
   - ☐ Have the advisor send it to you.
4. Refer to the “Notes and Explanations” section when reviewing the completed checklist.

Note: if you *are not* working with the financial advisor recommending the rollover, you may want to consider using the following guides:

- ☐ “Financial Advisors: Who’s Who, and What They Do”
- ☐ “Finding Mr. or Ms. “Right” Part 1 and Part 2

## What to Say

Whether you hand deliver, mail or email the questionnaire to the advisor, here’s what you want to convey: *“To help me better evaluate your recommendation, and to arrive at a more-informed decision, I’d appreciate you providing responses to list of questions.”*

# Rollover

## Is Rolling-Over My Retirement Plan Account into an IRA Right for Me?

Dear advisor, to help me arrive at a more-informed decision, please provide answers to the following list of questions.

1. What is your basis for believing that rolling my retirement plan account into an IRA would be in my best interests? (Please answer using key phrases).

   ______________________________________________
   ______________________________________________
   ______________________________________________
   ______________________________________________
   ______________________________________________

2. Please confirm that you would always place my interests first in accordance with the DOL fiduciary rule and other regulatory rules.

   ☐ I will

3. Based upon your understanding of my objective(s) and financial situation, please summarize what your investment plan would be. (Please use key phrases)

   ______________________________________________
   ______________________________________________
   ______________________________________________
   ______________________________________________

4. What types of investments may you consider in managing my account? (Check all that may apply).

   ☐ Individual stocks
   ☐ Individual bonds
   ☐ Exchange traded funds (ETF)
   ☐ Mutual funds
   ☐ Separately managed account (SMA)
   ☐ Annuities / insurance
   ☐ Other: ____________________________

5. What other services do you provide? (Check all that apply)

   ☐ Financial planning
   ☐ Tax-efficient investment/income strategies
   ☐ Insurance planning
   ☐ IRA/retirement plan withdrawal strategies
   ☐ Legacy planning
   ☐ Elder care planning (for a family member)
   ☐ Post-divorce planning
   ☐ Special needs (child/adult) planning
   ☐ Other: ______________________________________________

5.1 Are there additional costs for these services?

☐ Yes ☐ No If “Yes” $: ____________________

5.2 Please confirm that you qualified by extensive experience, specialized training, professional designation or other credential to provide these services.

☐ I am

6. How would your investment approach and other services you offer, differ from what I can do in my retirement plan account? (Please use key phrases)

_______________________________________________________________

_______________________________________________________________

_______________________________________________________________

_______________________________________________________________

_______________________________________________________________

7. What is your best-guess estimate of the total annual cost to manage my IRA? (Please state as dollar amount range and percent range based upon the expected opening account value). (Costs include: commissions, advisory fees, sales charges, mark-up/down, mutual fund/ETF internal expenses, etc.)

Between $ ____________ / _______ % and $ ___________ / _______%

(Actual total costs may be higher or lower)

8. How does this estimated annual cost compare to what I’m paying in my retirement plan account?

Retirement Plan Acct: $ _____________ or ______ % of account value

Estimated IRA Cost: $ _____________ or ______ % of account value

9. Will you provide periodic performance reports that include a way for me to gauge my IRA’s returns against a market index(s) or goals-based benchmark?

☐ Yes ☐ No

10. Will you disclose all costs associated with the management of my IRA, at least annually? (Costs include: commissions, advisory fees, sales charges, mark-up/down, mutual fund/ ETF internal expenses, etc.)

☐ Yes ☐ No

Date completed: ________________

Advisor initials: _________

# Notes and Explanations

## Reviewing the Responses

1. *What is your basis for believing that rolling my retirement plan account into an IRA would be in my best interests?*

   When a financial advisor recommends a rollover from your retirement plan account into an IRA, the advisor must have a reasonable basis for believing that a rollover is in your best interests. This question provides a way for the advisor to explain why.

   ? What does a good answer look like?

   It provides specific explanations on why rolling your retirement plan account into an IRA is the right thing for you to do. You want these explanations itemized in key phrases. Note: generalized explanations that could apply to anybody are not a good answer. The explanations must apply specifically to you, your financial situation, needs and preferences. The promise of higher returns by itself is not a good answer.

2. *Please confirm that you would always place my interests first in accordance with the DOL fiduciary rule and other regulatory rules.*

   While the advisor has a regulatory obligation (DOL Fiduciary Rule) to put your needs and interests first, this question asks the advisor to confirm on a personal level that they will always put your financial interests first. Note: you can't afford to enter a relationship with a financial advisor who won't commit to putting your interests first.

   Point to Ponder: With every recommendation and every action, your financial advisor makes a conscious decision to either put your interests first, or their own interests first. Regulations and "standard of care" rules do not guide this decision. It's guided by personal integrity, or by the absence of this trait.

   ? What does a good answer look like?

   The "I confirm I will" box is checked. If it can't be checked, there may not be a reason to continue with the checklist.

3. *Based upon your understanding of my objective(s) and financial situation, please summarize what your investment plan would be.*

   How the advisor plans to manage your investments depends on several factors, including the advisor's preferences for certain investment management philosophies and types of investments. Their approach can be complicated or quite simple. Note: good advisors welcome the opportunity to discuss their plan with you before any investing takes place.

   ? What does a good answer look like?

   It doesn't need to be lengthy or complicated. All you're looking for is a brief explanation of what the advisor plans to do. That's it. The advisor has an obligation to make sure you understand their answer.

4. *What types of investments may you consider in managing my account?*

   Depending on your investment knowledge and experience, your investment objective and risk tolerance, certain types of investments may be more appropriate for you than others. For example, if you like broadly-diversified investments like mutual funds and ETFs, then individual stocks may not be the right choice for you. The advisor is obligated to only use investments that are right for you. Note: if you don't understand the investment despite the best efforts of the advisor to explain it to you, it probably isn't right for you.

Note: if the advisor is recommending an annuity, he or she must complete the appropriate Annuity Questionnaire (Annuity QuickGuide: fixed, indexed or variable) and go over the responses with you prior to you making a decision. Easy-to-follow instructions are in each annuity guide.

? What does a good answer look like?

You expect the advisor to check all the types of investments that might be used in your account.

5. *What other services do you provide?*

While skillful management of your investments is always important, you may have other financial-related needs that are equally important to you.

? What does a good answer look like?

The boxes next to services you need, or anticipate needing, are checked. While most advisors provide these services for no additional charge, some advisors do charge a fee. Make sure the fee is disclosed.

Also, when providing these services, you need to confirm that the advisor is truly qualified to provide them (question 5.2), meaning they have either authoritative knowledge and extensive experience, specialized training, a professional designation or other credentials that make them qualified to provide those services. The fact that the advisor can create a plan or generate a report through their brokerage/advisory firm or a third party doesn't mean the advisor is truly qualified to provide the service.

? What does a good answer look like?

The "I am" box is checked.

6. *How would your investment approach and other services you offer, differ from what I can do in my retirement plan account?*

Is there a meaningful difference?

? What does a good answer look like?

It may include the ability to use highly-focused or theme-based strategies, and guaranteed income strategies. It may also include the availability of certain types of investments or other services that are not in your retirement plan. A few key phrases are all you need. Also, your retirement plan offers many valuable tools, financial wellness and educational resources. While working with an advisor may remove the need for many of these resources, receiving educational and informative material from your financial advisor is still important.

7. What is your best-guess estimate of the total annual cost to manage my IRA?

? What does a good answer look like?

Don't expect a to-the-penny accounting. You don't need one. All you're looking for is a best-guess estimate of what the annual cost may be. This estimate should include commissions, advisory fees, sales charges, mark-up/down, and any internal expenses on mutual funds/ETFs or other underlying expenses. Note: having a good faith estimate of annual total costs will give you a straight-up comparison to the total costs you're currently paying in your retirement plan.

8. *How does this estimated annual cost compare to what I'm paying in my retirement plan account?*

   The investment options in retirement plans generally have low expenses. This is especially true for larger retirement plans. Your IRA may have total expenses that are significantly higher. But the advisor may provide other valuable services that are worth a higher total cost. Knowing the cost differential will help you make an informed decision or whether rolling your retirement plan account into an IRA with higher total costs is in your best interests.

9. *Will you provide periodic performance reports that include a way for me to gauge my account's return against a market index(s) or goals-based benchmark*?

   Your retirement account may be your largest and most important asset. Saying your account "did pretty well" or was "down just a little" is a very loose way of evaluating how your investments are doing. A better way is to have your financial advisor answer two important questions about your account: 1) how is it doing? and 2) compared to what? Not knowing the answer to this two-part question can be costly.

   Your retirement plan provides investment performance on the investment options in the plan. Your plan also provides benchmark information on the investment options in the form of broad-based market index returns. Many retirement plans even provide individualized rates of return for plan participant accounts. If you do decide to rollover your retirement plan account into an IRA, it's in your best interests to make sure you'll receive a periodic report on how your account is performing that includes a way for you to gauge whether the performance was competitive or not.

   ? What does a good answer look like?

   The "Yes" box is checked.

10. *Will you disclose all costs associated with the management of my IRA, at least annually?* (Costs include: commissions, advisory fees, sales charges, mark-up/down, mutual fund/ETF internal expenses, etc.)

   Your retirement plan statement shows the total annual operating expenses of your investment options and shows those expenses as both a percentage of assets and as a dollar amount for each $1,000 invested. You should expect a full accounting of *all* costs associated with your IRA.

   ? What does a good answer look like?

   The "Yes" box is checked.

## Disclaimer

This guide is for informational purposes only. It does not in any way constitute investment advice, tax or accounting advice, legal or regulatory advice or an offer to sell or a solicitation of an offer to buy any security. Nothing in this guide constitutes an endorsement of any individual financial advisor, tax or legal professional. Nothing in this guide in any way constitutes a recommendation of any specific investment strategy or as to the suitability of any transaction, security or other financial product or service. Use of this guide does not guarantee protection from abusive sales practices, unsuitable or inappropriate account activity, loss of principal or investment fraud. DecisionPoint Services LLC members and the Michigan Department of Insurance and Financial Services (DIFS) do not accept any responsibility or liability for the accuracy, content, completeness, legality, reliability, suitability or otherwise of the information. DecisionPoint Services LLC members and DIFS shall have no liability, duty or obligation associated with the use of this guide. Any reliance you place on this guide is strictly at your own risk and any decisions you make based on such information are solely your responsibility.