

## 20 Questions to Ask a Financial Advisor

Finding a qualified financial advisor isn't easy. That's because, despite having similar titles on their business cards, there are many different kinds of advisors, and they work under different rules. For example, you might find an advisor at a brokerage firm, a Registered Investment Advisor, an insurance company or even at a bank, and they each have different obligations to their clients. For that reason, it is very important to ask lots of questions. To that end, I hope you find this list helpful. And, if you have any questions for *me*, please email me any time: [adam.grossman@mayport.com](mailto:adam.grossman@mayport.com).

### Type of Organization

1. How is your firm regulated? For example, are you a broker, an insurance agent, a Registered Investment Advisor or something else?
2. Do you adhere to a fiduciary standard at all times? If not, why not?
3. Do you use a third-party custodian, or does your firm take custody of clients' assets?

### Costs

4. What kinds of fees do you charge for your services? Do you operate on a fee-only basis? Do you receive commissions?
5. Aside from what I pay you, do you receive additional compensation that is not visible to me? For example, do you have soft dollar relationships with brokers? Do you receive 12b-1 "distribution" fees from mutual fund companies?
6. If you use mutual funds, what are the fees charged by the funds that you would use for my account?
7. Can you estimate the total of the fees that I would pay each year, *in both percentage and dollar terms*? Please include your advisory fee as well as any fund fees, brokerage commissions, custodial fees and other fees or expenses.

8. Are your fees based on the size of my account? If I deposit more money into my account, would you charge me more? If so, why? How much more work does it require to manage my account when I deposit more money?
9. For a typical client, what is the average annual turnover, and can you estimate the tax impact from that turnover?
10. If you use mutual funds, what is the average annual turnover within the funds that you purchase for clients?
11. Do you bill clients in advance or in arrears? If in advance, how far in advance?

## Investment Process

12. Do you prepare financial plans for your clients? Can I see a sample plan? How do you align investment portfolios with clients' plans?
13. What asset classes would you include in my account? How did you arrive at that recommendation?
14. What asset allocation would you recommend for my account. How did you arrive at that recommendation?
15. What process do you use to select investments for client accounts?
16. Does your research process include efforts to predict the future direction of the economy, of the stock market, of interest rates or of individual stocks? If so, what has been your track record with these kinds of predictions?
17. What is your approach to rebalancing?
18. What is your approach to tax-loss harvesting?
19. If you use mutual funds, do you recommend actively-managed or passively-managed funds? If actively-managed, how do you reconcile that with Standard & Poor's data showing that just a small fraction of actively-managed domestic stock funds do better than index funds in any given year?
20. Are the funds that you would purchase for my account managed by the same parent company that you work for? If so, are you compensated more to purchase those funds instead of funds managed by third parties?