

# ▲ Praxis Advisory Group, Inc. ▲

## Questions to Ask a Financial Advisor

Prepared by Praxis Advisory Group, Inc. © May, 2010

### 1. Questions About the Company:

- What is the full name of the company?
- Who owns it?
- How long has the company been in business?
- Where is the company's main office?
- Is the company a bank or trust company? A broker-dealer? A registered investment advisor?
- What government entity regulates the company's activities?

### 2. Questions About the Individual:

- What is your job with the company?
- How long have you held this job?
- How long have you been in this business?
- Are you a portfolio manager or a salesperson?
- Do you have any professional degrees or certifications? If so, what are they?  
*If the individual gives an alphabet soup of initials for professional certifications (CFP, CFA, etc), ask them to provide the full, official name of the professional certification.*
- What government entity regulates your activities?

### 3. Questions About Services:

- What are the services the company provides?
- What are the services the individual provides?
- Do you have a brochure that describes the services of the individual and the company?
- May I have a copy of the written agreement I would be expected to sign?
- Do you have a website that has additional information?
- Are there affiliated companies that provide any services to me under this arrangement? *(If so, ask these questions about the affiliates that provide services)*
- Are there unaffiliated third parties (companies or individuals) that provide any services to me under this arrangement? *(If so, ask all of the questions about the unaffiliated third parties that provide services)*

### 4. Questions About Compensation:

- Does the Company receive management fees, hourly fees, flat or fixed fees for specific services, commissions or a combination?
- What is the company's compensation in each of these categories?
- How is the individual compensated, and by whom?
- How are affiliated companies that provide services to me compensated, and by whom?

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### **Questions About Compensation, continued:**

- How are unaffiliated third parties that provide services to me compensated, and by whom?
- How are fees/commissions calculated?
- How are fees/commissions collected, and when?
- How are fees/commissions disclosed to me each billing period?

### **5. Questions About Investments:**

- What kind of investments do you recommend or include in client portfolios?
- Are they publicly traded?
- Are investments registered, and if so, with what government entity?
- Do you organize or sponsor any investments?

*If investments are not publicly traded stocks, mutual funds or ETFs, or are organized or sponsored by the financial advisor, the investor is subject to a heightened risk of fraud compared to investors whose advisors use only publicly traded stocks, mutual funds or ETFs. Substantial due diligence is needed to evaluate the investments. What are the fees associated with purchasing or holding each type of investment?*

- Are there holding periods for investments, or can they be liquidated without penalty at any time?
- If there are early redemption fees, what are they?
- Is the company or the individual compensated by any asset sponsor, and if so, how?
- Does the company or the individual receive any services from the asset sponsor, and if so, what?

### **6. Questions About Accounts:**

- Will my money be held in an account separate from the money of other clients?
- What is the full name of the custodian of my account or accounts?
- Is the custodian an affiliate of the company or the individual?
- What government entity regulates the custodian?
- Will the custodian send me a statement for my account or accounts on a periodic basis? How often?
- What are the custodian's fees, and to whom are they charged?
- Is the company or the individual compensated by the custodian, and if so, how?
- Does the company or the individual receive any services from the custodian, and if so, what?

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### Additional Steps to Minimize Risk When Choosing a Financial Advisor

7. **Ask For Disclosure Documents and Read Them:**
  - Form ADV, Part II or equivalent brochure if the Financial Advisor is an investment advisor.
  - Copies of all agreements and fee schedules with the Financial Advisor
  - Copy of Privacy Policy
  - Ask for a written summary of any regulatory action against the Financial Advisor or the individual (this information should be in the Form ADV, Part II if the Financial Advisor is an investment advisor).
  
8. **Visit Websites:**
  - [www.nassa.org](http://www.nassa.org): The North American State Securities Administrators website, which has investor educational information and also links to each state's division of securities, which in turn have searchable databases for registered entities and enforcement actions against companies/individuals who have been sanctioned.
  - [www.finra.org](http://www.finra.org): Formerly the NASD. The self-regulatory organization that regulates broker-dealers and administers investment advisor registrations. Like NASSA, has information for consumers and a searchable database.
  - Use your search engine to search for information regarding each and every name – companies and individuals – who are providing services to you. Go back several pages! If there is unfavorable information it may not be among the first entries your search engine has provided.
  - If there is negative information, use your common sense in evaluating it. News articles in reputable publications have more credibility than an anonymous posting to a complaint board.
  - Look at the negative information within the context of everything you have found out, and ask the financial advisor for an explanation. Consider the answer within the framework of all the data available to you, before you conclude you will or won't do business with the financial advisor or his/her company.