

Financial Fiduciary Questionnaire & Answers

Compliments of ISI Financial Group, Inc.
www.isifinancialgroup.com

Use the following questionnaire to interview your existing financial advisor, broker, financial planner or any prospective advisor you may be considering. It is **paramount** that you get answers to all of these questions in writing to assure you are working with a **Financial Fiduciary** who assures you that any and all advice provided to you is truly in your best interest. If you insist upon getting all of the right answers to the following questions, you will avoid the inherent conflicts of interest which exist in most advisor/consumer relationships.

Also included are a few, very important additional questions (#11- #17) you should also be certain to inquire about once the advisor has signed the **Financial Fiduciary Oath** and agreed in writing to serve as a **Financial Fiduciary** on your behalf.

The following questions pertaining to fiduciary responsibility have been prepared for your use by the **National Association of Personal Financial Advisors (NAPFA) Consumer Education Foundation** and its “**Focus on Fiduciary**” questionnaire. This is the only organization which upholds and requires that all of its members be 100% fee-only while adhering to and signing a fiduciary oath. It should be noted that according to independent estimates less than 10% of all financial advisors are truly fee-only advisors (*not fee-based, which can be a combination of fees AND commissions*) serving as **Financial Fiduciaries** on behalf of their clients.

Why do you need to “**Focus on Fiduciary**”? Because Financial Advisors adhering to a **Fiduciary Standard** act in the client’s best interests. These advisors are not Stock Brokers or Registered Representatives who benefit from selling you an investment or financial product. Fee-Only Financial Advisors adhere to a **Fiduciary Standard** and sell only one thing – their knowledge.

Please feel free to download, print, and share with anyone the following questionnaire. Also note that we have included an “**answer key**” which you will want to keep and use when reviewing the answers given to you. Again, it is extremely important that you insist upon getting all of the answers in writing.

We at ISI Financial Group are pleased to make this complimentary questionnaire available to you in an effort to help you in your search for an advisor who will agree in writing to take a **fiduciary responsibility** for all they do for you.

Financial Fiduciary Questionnaire

1. How are you and your firm compensated?

- Fee-Only
- Fee-Based
- Fee-Offset
- Commissions

2. Do you have an agreement describing your compensation and services that will be provided in advance of the engagement?

- Yes
- No

3. Do you have a minimum fee?

- Yes (If yes, please explain)
- No

4. If you earn commissions, approximately what percentage of your firm's commission income comes from?

_____ % Insurance products
_____ % Annuities
_____ % Mutual Funds
_____ % Limited Partnerships
_____ % Stocks and bonds
_____ % Coins, tangibles, collectibles
_____ % Other: _____

5. Does any member of your firm act as a general partner, participate in, or receive compensation from investments you may recommend to me?

- Yes
- No

6. Do you receive referral fees from attorneys, accountants, insurance professionals, mortgage brokers, or others?

- Yes
- No

7. Do you receive on-going income from any of the mutual funds that you recommend in the form of "12(b)1" fees, "trailing" commissions, or other continuing payouts?

- Yes
- No

8. Are there financial incentives for you to recommend certain financial products?

- Yes (If yes, please explain)
- No

9. Are you currently engaged in any other business, either as a sole proprietor, partner, officer, employee, trustee, agent or otherwise? (Exclude non-investment related activities which are exclusively charitable, civic, religious or fraternal and are recognized as tax-exempt.)

- Yes (If yes, please explain)
- No

10. Will you sign the Fiduciary Oath below?

- Yes
- No

FIDUCIARY OATH - The advisor shall exercise his/her best efforts to act in good faith and in the best interests of the client. The advisor shall provide written disclosure to the client prior to the engagement of the advisor, and thereafter throughout the term of the engagement, of any conflicts of interest which will or reasonably may compromise the impartiality or independence of the advisor. The advisor, or any party in which the advisor has a financial interest, does not receive any compensation or other remuneration that is contingent on any client's purchase or sale of a financial product. The advisor does not receive a fee or other compensation from another party based on the referral of a client or the client's business.

This Fiduciary Oath means:

- I shall always act in good faith and with candor.
- I shall be proactive in my disclosure of any conflicts of interest that may impact you.
- I shall not accept any referral fees or compensation that is contingent upon the purchase or sale of a financial product.

Advisor's Signature

Date

11. Will you prepare in advance of my/our investing any monies a comprehensive, goal-oriented financial plan for me/us?
12. What will be included in this financial plan?
13. How many years experience as a financial advisor do you have and how many different firms have you worked for as an advisor?
14. How many existing clients do you have and service regularly?
15. What investment vehicles and specific strategies do you utilize and employ on behalf of your clients?
16. Do you use an Independent, Third Party Custodian to hold all of you client's securities? If so, who? How often are statements provided to your client's from this Independent, Third Party Custodian showing the values of securities held? Do all of these statements come directly from the custodian or from your office?
17. Do you invest any of your clients funds in non-liquid, non-publicly traded securities or investments? If so, please list:

Answer Key

The following answer key will provide you with the recommended answers to the questions contained within the Fiduciary Questionnaire. By comparing the answers provided to you by the advisor with these recommended answers, you will be able to better understand whether or not the advisor in question holds to a Fiduciary Standard.

1. How should a financial advisor charge for services? The members of NAPFA firmly believe that financial advisors should charge Fee-Only. Although NAPFA recognizes that financial planners can provide services on a commission basis, it is NAPFA's core position that a Fee-Only engagement removes the potential conflicts of interest that are inherent in a commission relationship.

Fee-Only Financial Advisors put their client's interests first and therefore hold to a Fiduciary Standard.

2. Prior to formalizing a relationship, a financial advisor should always provide you information which clearly discloses how she/he will be compensated: Fee-Only, Fee-Based, commissions only. Ask for this information prior to commencing a relationship, and if there are any corresponding conflicts of interest presented by the compensation arrangement, be aware that your interests might not always be placed ahead of the advisor's.

Financial advisors who have no apparent conflicts of interest are more likely to be considered a Fiduciary.

3. Financial advisors may charge a minimum fee for services they render. If you have limited financial planning needs and/or a small portfolio, paying a minimum fee may not be in your best interests. If that is your situation, search for an advisor who will provide you professional advice on a flat-fee, project, or hourly basis.
4. While NAPFA encourages you to consider using a Fee-Only Financial Advisor to minimize the potential for conflicts of interest, you may instead select an advisor who accepts commissions. Financial advisors who are compensated based on commissions should be able to explain how they are compensated and identify what percentage of their compensation is derived from the sale of various commission-based investment products and/or securities trading.

Financial Advisors who do receive commissions but cannot account for how they are compensated should raise serious questions from the consumer. NAPFA recommends Fee-Only financial advisors to eliminate as many conflicts of interest as possible.

5. Ask your prospective financial advisor if she/he is limited to presenting certain types of investments or investment products to you. If so, inquire why she/he is limited, and how this might affect the success of attaining your goals and/or the amount of fees to be paid.
6. As you work with a financial advisor, other needs revolving around important financial issues will become evident. Certain advisors, for example, recommend attorneys, accountants, insurance agents, and mortgage brokers to their clients. You should inquire whether the financial advisor will receive a referral fee for the recommendation. If the financial advisor does receive a

referral fee or some other type of compensation from the professional(s) that she/he may recommend to you, you should seriously consider this conflict of interest prior to engaging the recommended professional.

Financial Advisors receiving a referral fee from other professionals for referring your business may not be acting in your best interests. A true Fiduciary will not receive any compensation from any outside sources.

7. Some mutual fund and investment product sponsors pay 12b(1) and similar fees. A financial advisor who receives 12(b)1 fees or “trailers” is not a Fee-Only Financial Advisor. Trailing fees may negatively affect you, because typically the product sponsor charges shareholders higher fees and then pays a portion of the money to the financial advisor on an ongoing basis.

NAPFA recommends Fee-Only Financial Advisors to ensure a Fiduciary relationship.

8. Commission-based advisors may receive higher commissions on certain products they sell than on others. This may influence their decision to recommend investment products that are not in your best interest. Ask your prospective financial advisor how his/her recommendation might affect the success of attaining your goals and/or the amount of fees to be paid. Fee-Only advisors do not have this conflict of interest; they are able to recommend investments based solely upon your specific needs.

NAPFA recommends Fee-Only Financial Advisors to ensure a Fiduciary relationship.

9. By knowing what other business ventures a financial advisor is involved in, you will better understand if there are any conflicts of interest with regard to the advice that you might receive. This is especially important if the advisor is involved with any other investment-related entity. Ask for a detailed account of how that relationship will impact the advice she/he will provide you. The outside relationship may be in conflict with your personal interests.

10. Accountability is important in financial planning. While there are many people in the financial services industry who profess to have the client’s best interests at heart, they still may make recommendations that present a conflict of interest. NAPFA requires all of its members to sign a Fiduciary Oath; this helps to ensure that each client’s best interests, not the advisor’s, are always a priority.

11. This should always be done just as one would always have a blueprint prepared before beginning to build a house.

12. A comprehensive, written financial plan should always address the areas of future goals planning, cash flow needs now and in the future, appropriate asset allocation, tax discussions (reviewed by a CPA), estate planning where needed, and risk management (insurance review).

13. Obviously, the more experience the better. With all of the rapid changes which are taking place in today’s financial world, experience of at least 15 years or more is preferred. And, be wary of any financial advisors who have worked for several different financial firms. This is important because often when advisors jump from one firm to another, you will end up working with a completely new advisor or if following your existing advisor you most likely will incur significant costs, commissions, taxes, etc. each time you switch.

14. Too few should cause a concern just as too many may indicate a lack of good service.

15. Be very weary of any advisor who leads you to believe that either they or their “research department” are gifted at picking individual securities, money managers, or actively managed mutual funds which will outperform the markets, etc. Instead, avoid unnecessary risk by insisting upon very low cost, no load, passively managed vehicles (institutional asset class funds, ETF’s, index funds, etc.) Always remember that past performance cannot be purchased and past performance is in NO WAY indicative of future performance. This key point is printed in bold letters on all prospectus for a very good reason.
16. As an investor, it is PARAMOUNT that all of your assets are held by a non-affiliated, Independent Third Party Custodian. This provides a fire wall between your advisor’s firm and the safe keeping of your assets. Also, any and all statements you regularly receive should be generated and come from the Third Party Custodian, not your advisor’s office. If this simple, but so very important requirement would have been adhered to by the Madoff victims, they would never have ended up as they did.
17. It is important that you know this, as this will protect you from investing in any “black hole” investments such as hedge funds, etc. for which you have no idea at any given time what your monies are invested in. If your investment vehicles are liquid, transparent, and publicly traded you will always know what you own, and the true value of those investments if reported by, and held at a reputable Third Party Custodian.

If your Financial Advisor, or prospective Financial Advisor, satisfactorily answered these questions, then that Financial Advisor most likely holds to a Fiduciary Standard. This means he/she is placing your interests ahead of their own.

*****Beware**, certain designations such as CFP, CPA, CFA, CLU, etc. do not provide any indication whatsoever that the advisor is a fee-only advisor. In fact, it is estimated that less than 10% of all financial advisors are 100% fee-only.

The questions pertaining to Focus on Fiduciary (#1-#10) were brought to you by the National Association of Personal Financial Advisors (NAPFA) Consumer Education Foundation.

We at ISI hope you find this questionnaire to be a helpful tool as you work towards achieving Financial Freedom for you, and those who depend on you.

www.isifinancialgroup.com