

WADE FINANCIAL GROUP



Fiduciary Questionnaires

Individual Investors

2010

Background On Provided Materials

(Client Keep)

This page was written by NAPFA member Jerry Wade of Wade Financial Group, Inc. Its purpose is to assist the consumer in understanding the importance of investigating the decision of whom to hire and trust as a financial advisor.

Wade Financial Group's website is www.wadefinancialgroup.com.

The National Association of Personal Financial Advisors (NAPFA) believes that consumers should be empowered to select a financial advisor, from the cornucopia of confusing choices, who will help them achieve their goals by placing the consumer's interests above the advisor's interests.

How do you find out if an advisor provides comprehensive financial planning services and is able to deliver prudent, fiduciary-driven advice? With the loose usage of terms like comprehensive financial planning, Fee-Only, Fee-Based, CPA, CFP, CLU, CHFC, RFC, RIA and over 80 other designations⁽¹⁾ that have "popped up," NAPFA can help.

NAPFA has developed a Financial Advisor Background Questionnaire and Fiduciary Questionnaire that you can use during your selection process to address topics such as the advisor's services, compensation, existing and potential conflicts of interest, etc.

Use copies of the questionnaires that follow to screen each prospective advisor and identify their abilities and competencies. It will also help you better understand if the advisor holds to a Fiduciary Standard, or if they hold a securities license and are affiliated with a broker-dealer.

⁽¹⁾ Source: FINRA

The Importance Of Fiduciary Questionnaires

Are you hesitant to ask an advisor to complete these questionnaires? Don't be.

Your financial health is almost as important as your physical health. When you work with a physician, you already know they've gone to medical school, had to withstand years of rigorous testing, residency, etc. to eventually be legally qualified to practice medicine. Once their intense schooling has been completed, doctors are also required to abide by the Hippocratic Oath.

Just as you would never entrust your health to an untrained, non-accredited doctor, NAPFA believes you should not allow your financial health to be placed at risk by working with financial advisors that may operate with numerous conflicts of interest or minimal training.

If you want to know if your financial advisor holds to a fiduciary standard, just have them complete a fiduciary questionnaire and compare the answers with the answer key.

Disclaimer

The information contained in the following document is primarily based upon information and consumer questionnaires developed by the National Association of Personal Financial Advisors (NAPFA). These materials have been modified slightly to allow for ease of printing and improved readability.

Certain comments have also been referenced from research provided from Fi360.

Fi360 offers a full circle approach to investment fiduciary education, practice management and support that has established them as the go-to source of investment fiduciary insights.

Their website is www.fi360.com.

These materials are generic in nature and contain no references to any financial advisory firm

Trust...
Loyalty...
Confidence...

*The hallmarks of a Financial Advisor who
is held to a Fiduciary Standard.*

*Does your financial advisor hold
to a Fiduciary Standard?*

Ask the question today.

FOCUSonFiduciary™

Protecting your financial livelihood

Learn more by visiting www.FocusOnFiduciary.com

fi•du•ci•ary — A Financial Advisor held to a Fiduciary Standard occupies a position of special trust and confidence when working with a client. As a fiduciary, the Financial Advisor is required to act with undivided loyalty to the client. This includes disclosure of how the Financial Advisor is to be compensated and any corresponding conflicts of interest



FOCUSonFiduciary™

*This message was brought to you by the National Association of
Personal Financial Advisors (NAPFA) Consumer Education Foundation.*

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WHO IS NAPFA?

(Client Keep)

The National Association of Personal Financial Advisors (NAPFA) is the nation's leading organization dedicated to the advancement of Fee-Only comprehensive financial planning. Consumers and the media look to NAPFA for access to financial advisors who meet the highest standards for professional competency and fiduciary conduct.

HOW ARE NAPFA ADVISORS DIFFERENT FROM OTHER ADVISORS?

1. NAPFA members serve their clients in a fiduciary capacity.
2. A fiduciary standard means that your financial advisor is putting your interests first. When you hire a NAPFA member, you are getting the best advice that he or she can give, without any influence from outside interests.
3. Fee-Only compensation indicates that an advisor never accepts commissions or compensation of any kind related to the products he or she recommends.

NAPFA's Core Values

Competency: Requiring the highest standards of proficiency in the industry.

Comprehensive: Practicing a holistic approach to financial planning.

Compensation: Using a Fee-Only model that facilitates objective advice.

Client-Centered: Committing to a fiduciary relationship that ensures the client's interest is always first.

Complete Disclosure: Providing an explanation of fees and potential conflicts of interest.

NAPFA's CONSUMER AWARENESS CAMPAIGN

The consumer education project is sponsored by NAPFA's Consumer Education Foundation.

Learn more by visiting www.FocusOnFiduciary.com

Fiduciary Questionnaire **Answer Key (Client Keep)**

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**.

Answer # 1

How should a financial advisor charge for services? NAPFA firmly believes that financial advisors should charge via a **Fee-Only** arrangement. 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 hold to a Fiduciary Standard.**

Answer # 2

Prior to formalizing a relationship, a financial advisor should always provide you information, which clearly discloses how he/she will be compensated: **Fee-Only**, Fee-Based, commissions etc. 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 advisors. Financial advisors who have no apparent conflicts of interest are more likely to be considered a **Fiduciary**.

Answer # 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.

Answer # 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.

Answer # 5

Ask your prospective financial advisor if he/she is limited to presenting certain types of investments or investment products to you. If so, inquire why he/she is limited, and how this might affect the success of attaining your goals and/or the amount of fees to be paid.

Answer # 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 would 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 he/she 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.

Answer # 7

Some mutual fund and investment product sponsors pay 12b(1) and similar fees. A financial advisor who receives 12b(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.

Answer # 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.

Answer # 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 he / she will provide you. The outside relationship may be in conflict with your personal interests.

Answer # 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 advisors, are always a priority.

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

To learn more about a Fiduciary Standard and the Focus on Fiduciary campaign, please visit www.FocusonFiduciary.org or call 800-366-2732.

FINANCIAL ADVISOR QUESTIONNAIRES THAT FOLLOW

The NAPFA questionnaires that follow are designed to assist consumers in analyzing and selecting a financial advisor.

NAPFA has developed two questionnaires:

1. **Financial Advisor Background Questionnaire**
2. **Fiduciary Questionnaire** that you can use during your selection process to address topics such as the advisor's services, compensation, existing and potential conflicts of interest, etc.

Use copies of the questionnaires that follow to screen each prospective advisor and identify their abilities and competencies. It will also help you better understand if the advisor holds to a **Fiduciary Standard** or if they hold a securities license and are affiliated with a broker-dealer.

Instructions

What To Give To The Advisor Being Interviewed:

- A copy of the two questionnaires that follow in the next section

What To Keep And Not Provide To Advisor Being Interviewed:

1. This page and all previous pages
2. Background On Provided Materials
3. Disclaimer
4. Page: "Importance Of Fiduciary Questionnaires"
5. Answer key

Financial Advisor "Background Questionnaire" Part # 1

Questions All Consumers Should Know The Answers To

Company Name: _____ **Advisor Name:** _____

Comprehensive Services Offered:		Yes	No	Credentials and Professional Affiliations:		Yes	No
Goal Setting		<input type="checkbox"/>	<input type="checkbox"/>	NAPFA – Registered Advisor		<input type="checkbox"/>	<input type="checkbox"/>
Cash Budgeting/Management		<input type="checkbox"/>	<input type="checkbox"/>	Certified Financial Planner (CFP)		<input type="checkbox"/>	<input type="checkbox"/>
Tax Planning		<input type="checkbox"/>	<input type="checkbox"/>	Chartered Fin. Consultant (ChFC)		<input type="checkbox"/>	<input type="checkbox"/>
Investment Management		<input type="checkbox"/>	<input type="checkbox"/>	Certified Public Accountant (CPA)		<input type="checkbox"/>	<input type="checkbox"/>
Estate Planning		<input type="checkbox"/>	<input type="checkbox"/>	Accredited Invest. Fiduciary (AIF)		<input type="checkbox"/>	<input type="checkbox"/>
Insurance Needs		<input type="checkbox"/>	<input type="checkbox"/>	Chartered Fund Specialist (CFS)		<input type="checkbox"/>	<input type="checkbox"/>
Education Funding		<input type="checkbox"/>	<input type="checkbox"/>	Masters Financial Services (MSFS)		<input type="checkbox"/>	<input type="checkbox"/>
Retirement Planning		<input type="checkbox"/>	<input type="checkbox"/>	Financial Planning Assoc. (FPA)		<input type="checkbox"/>	<input type="checkbox"/>
Method Of Providing Services:				Other: _____			
Provide a Written Analysis		<input type="checkbox"/>	<input type="checkbox"/>	Registrations and Licenses			
Provide Recommendations		<input type="checkbox"/>	<input type="checkbox"/>	Are you or your firm a Registered Investment Advisor with the SEC?		<input type="checkbox"/>	<input type="checkbox"/>
Provide Implementation		<input type="checkbox"/>	<input type="checkbox"/>	Do you hold a Series 6 or 7 Securities license that allows for the sale of various financial products for a commission?		<input type="checkbox"/>	<input type="checkbox"/>
Provide Ongoing Advice		<input type="checkbox"/>	<input type="checkbox"/>	Regulatory:			
Educational Background:				Have you ever been subject to Disciplinary Action?			
College Degree		<input type="checkbox"/>	<input type="checkbox"/>	Is your firm a Registered Investment Advisor (RIA)?			
Primary Area of Study: _____				If you/firm are a RIA, please provide a copy of ADV Part II with schedule F.			
Graduate Degree		<input type="checkbox"/>	<input type="checkbox"/>				
Primary Area of Study: _____							
Do You/Your Firm Have a Business Continuity Plan?							
		<input type="checkbox"/>	<input type="checkbox"/>				
Experience:							
How long have you provided financial advisory services? _____							

While this **Financial Advisor Background Questionnaire** contains some questions that are not directly tied to determining if an advisor is a **Fiduciary**, these additional questions are critical from a services offered and background check standpoint.

"Fiduciary Questionnaire"

Part # 2

Questions All Consumers Should Know The Answers To

Company Name: _____ Advisor Name: _____

Please circle the answer that applies to your role as a financial advisor

1. How are you and your firm compensated? (Circle all that apply)

- 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 and your firm's commission income comes from?

<u>You</u>	<u>Your Firm</u>
_____	_____ % 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

7. Do you receive ongoing 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 (trips, contests, etc.)?

- 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 that 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

FIDUCIARY OATH

As your advisor, I (we) shall exercise my (our) best efforts to act in good faith and in the best interests of you, the client. I (we) shall provide written disclosure to you, the client, prior to the engagement of my (our) services, and thereafter throughout the term of the engagement, of any conflicts of interest, which will or reasonably may compromise the impartiality or independence of my (our) advice. I (we), or any party in which I (we) have a financial interest, do not receive any compensation or other remuneration that is contingent on any client's purchase or sale of a financial product. I (we) do not receive a fee or other compensation from another party based on the referral of a client or the client's business.

What The Fiduciary Oath Means To You - The Client:

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

Signature

Date

Title

Company