

Financial Adviser Questionnaire

The U.S. Securities and Exchange Commission says the best advice it can give you about how to invest wisely is: Ask questions. It also encourages investors to *thoroughly* evaluate the background of any brokerage firm or individual broker or adviser with whom you intend to do business—*before* you hand over your hard-earned cash.

But knowing the right questions to ask to get the right information isn't always easy. Many people feel intimidated when confronting an "expert" and are hesitant to ask questions.

For this reason, AARP has developed a questionnaire that ordinary investors can give to brokers, advisers or others in the investment business to help investors evaluate whether they can entrust their money to the person who fills it out.

The 10 questions in the Financial Adviser Questionnaire can give you a lot of good information. You may have other questions, so consider this a first step. Although you can use this questionnaire to guide you during a face-to-face meeting, we suggest that you mail it and get answers in writing.

There may be valid reasons why some individuals can't answer all the questions—but make sure they tell you their reasons and be guided accordingly.

While the references in the questionnaire may seem strange to you, investment experts will know what they are about. But here is some background on why these questions deserve to be asked:

Questions 1-3. Registered Investment Advisors (investment advisers) and Registered Representatives (also known as brokers, investment representatives, investment specialists, financial advisers, etc.) file disclosure forms with the agencies that regulate them. Reading through the disclosure forms can tell you a lot about their background, how they do business, and whether they've had any regulatory problems. People who call themselves investment advisers must give you at least a part of their disclosure form. Brokers don't have to but there is no law or regulation that forbids them from giving you their U-4 disclosure if you ask for it. Be wary of brokers who resist giving you this form.

Questions 4 and 5. It is important to know whether the broker or adviser has been disciplined by either the regulators or one of the professional organizations in his or her field.

Question 6. Many investment advisers provide a contract or letter of engagement that clearly specifies what services the client will (and will not) receive, what the role and responsibilities of the adviser are, what compensation

the adviser will receive, how the relationship can be terminated and other important disclosures. The fewer surprises, the better.

Question 7. This question simply asks for a bill for services rendered, just like you might get from a doctor. The bill should be the total dollars the broker or adviser and his or her firm will receive from working with you. Be wary of those who don't want to provide it.

Question 8. "Fiduciary" means that the person working for you owes you the highest possible duty of care and loyalty, so that a relationship of trust and confidence exists between you and the planner. While you may think that this sort of trust and confidence will naturally exist, a fiduciary relationship usually depends on the facts and circumstances of a particular situation.

Many brokers will not accept fiduciary responsibility. They may already have a fiduciary relationship with their brokerage firm that can conflict with their duty to you. That usually means you would truly be in a "buyer beware" relationship should you do business with this person, because you are then assumed to be knowledgeable enough to watch out for yourself when it comes to investments. If that's the case, you should know upfront. Or, you may wish to work only with professionals who are always fiduciaries to you.

Question 9. You cannot manage what you cannot measure. Without knowing your portfolio's rate of return and a fair benchmark (for example, the S&P 500 Index), you are left with the broker's assessment of your progress. If, for example, the average index of stocks and bonds similar to yours was up 10 percent last year, wouldn't it be useful to know if your portfolio's return was 15 percent (hooray!) or 5 percent (boo!)? Brokers regularly provide this kind of comparison to their elite clients, so you should get it, too.

Question 10. There is lots of useful information an existing customer can provide you. Some examples: Have you had good communication with the broker (especially during down markets)? Has there been any turnover in staff that you've had to adjust to? How has that worked out? Has the growth of your portfolio matched what you were told it would be?

The Financial Adviser Questionnaire follows.



This Financial Adviser Questionnaire has been prepared by AARP to help people evaluate an individual or firm offering them investment services. If you are offering more than sales assistance and your advice is more than merely incidental to your sales business, please fill out completely, sign, and return to;

Name

Address

City

State

Zip Code

Telephone Number

Note: Please feel free to provide detailed explanations for your answers on your company's letterhead.

1. Are you a Registered Investment Advisor (RIA) under the Investment Advisor's Act of 1940? Yes _____ No _____

2. If you are an RIA, are you registered in the above state or are you registered with the Securities and Exchange Commission (SEC)? Registered in the States of _____ Registered with the SEC _____ Please provide a copy of the most recent and accurate disclosure form.

3. Are you a Registered Representative of a Broker-Dealer? Yes ___ No ___
Please provide an accurate and up-to-date copy of your U-4 Disclosure Form filed by your broker-dealer with the National Association of Securities Dealers (NASD).

4. Have you ever been disciplined by the SEC, a state investment or insurance regulator, or other organization (such as NASD, one of the stock exchanges or the CFP Board)? Yes _____ No _____ If yes, what happened?

5. Have you personally been involved in any arbitration cases? What happened in each case?

6. Will you be providing me with an Agreement or Letter of Engagement outlining the services you will be providing and the fees I will be paying? (These agreements are separate from any brokerage agreements I might have to sign.) Yes___ No___

7. Will you provide a written statement of the total dollars in fees and commissions earned by you and your firm and any affiliated broker-dealer, insurance agency or other similar organization because of our relationship? (If the engagement is ongoing, you would be agreeing to provide this information at least quarterly.) Yes___ No___

8. Do you accept fiduciary responsibility across all aspects of our relationship? Yes___ No___

9. To the extent that you will be giving me on-going investment advice, will you be providing me with a quarterly written report of my portfolio's rate of return, along with benchmarks very similar to my portfolio, so that I can assess progress? Yes___ No___

10. Please provide two references from clients who have worked with you over the last five years.

_____	_____	_____	_____
Name	Phone	Name	Phone

Name of Broker or Adviser (Print)

_____	_____
Signature of Broker or Adviser	Date

_____	_____
Name of Firm (Print)	Phone