

## Fiduciary Questionnaire

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### 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.

Do you want to know if your Financial Advisor, or prospective Financial Advisor, holds to a Fiduciary Standard? Just have them complete this quick questionnaire and compare the answers with the provided answer key. You'll be happy you did!

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.*

#### **What the Fiduciary Oath means to you - the client**

- 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.

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Signature

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.

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](http://www.FocusonFiduciary.org) or call 800-366-2732.

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