

# What you gonna ask?

Given last week's Worth Sharing, "Who you gonna call?", this week's Jason Zweig column in the WSJ provides a good follow-up. Our answers, if they differ from Zweig's or he doesn't tell you what the answer should be, are in **red**.

THE INTELLIGENT INVESTOR

## The 19 Questions to Ask Your Financial Adviser

The burden of finding an adviser who will act in your best interest is on you

By *Jason Zweig*

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Getting all stockbrokers, financial planners and insurance agents to act in the best interests of their clients is a struggle that financial firms and their regulators still haven't resolved. That should be their job — but for now, it's yours.

The obligation of those who give investment advice to serve clients, not themselves, is called fiduciary duty. That obligation is far from universal and, in some ways, is in retreat.

The U.S. Department of Labor, which last year [released a rule](#) requiring brokers getting paid for investment advice on a retirement account to be fiduciaries, is [reviewing the regulation](#). The rule is only partly in effect; the department has drafted a [proposal to delay](#) full implementation until 2019.

Meanwhile, the Certified Financial Planner Board of Standards, which sets competency requirements criteria and ethical rules for the nearly 78,000 certified financial planners in the U.S., is [seeking to compel them](#) to act in clients' best interests "at all times" when "providing financial advice."

The board's proposed standards require its financial planners to "[disclose and manage](#)" such conflicts as gifts, bonuses or investment choices that can increase their compensation. Planners would also have to provide additional details about how — but not how much — they are paid.

Some brokerage firms warn that they may put their interests ahead of yours [regardless of whether your adviser happens to be a CFP](#).

Until regulators and trade groups sort this out — and [the next total solar eclipse](#) may come first — the burden of finding someone who will act in your best interest is on you.

That means asking an adviser [the right questions](#) (and listening for the best answers). I encourage you to clip or print out this column and bring it to your next meeting with your financial adviser.

1. Are you always a fiduciary, and will you state that in writing? (Yes.)
2. Does anybody else ever pay you to advise me and, if so, do you earn more to recommend certain products or services? (No.)
3. Do you participate in any sales contests or award programs creating incentives to favor particular vendors? (No.)

4. Will you itemize all your fees and expenses in writing? (Yes.)
5. Are your fees negotiable? (Yes, **for clients with AUM over \$1,000,000.00.**)
6. Will you consider charging by the hour or retainer instead of an annual fee based on my assets? (Yes. **As detailed in "Who you gonna call?" this is what Financial Planners' often do. HCM is not a Financial Planner, but a Registered Investment Advisor. Our advice, as can be found on our website, is free, our portfolio management is based on a percentage of AUM. )**
7. Can you tell me about your conflicts of interest, orally and in writing? (Yes, and no adviser should deny having any conflicts. **HCM is a sub-advisor to Quest Opportunity Fund [QOF], which holds many of the same stocks that some of our clients hold. QOF will usually invest in a stock first. Since it doesn't chase stocks higher, this often results in our clients getting into a position at a lower price. QOF will always be the last out in any stock also held by HCM clients that is being sold because its fundamentals have turned negative.)**
8. Do you earn fees as adviser to a private fund or other investments that you may recommend to clients? (No.)
9. Do you pay referral fees to generate new clients? (No.)
10. Do you focus solely on investment management (**Yes.**), or do you also advise on taxes, estates and retirement, budgeting and debt management, and insurance? (Here the best answer depends on your needs as a client. **Again, as detailed last week, this is the difference between a Financial Planner, which we are not, and an Investment Advisor.**)
11. Do you earn fees for referring clients to specialists like estate attorneys or insurance agents? (No.)
12. What is your investment philosophy? **A Factor-based approach with significant supporting academic evidence can over a sufficiently long time horizon produce superior results.**
13. Do you believe in technical analysis or market timing? (No. **Depends on ones definition of "technical analysis". HCM takes a Quantitative, Factor-based approach to investing based on what we consider to be solid academic evidence.**)
14. Do you believe you can beat the market? (No. **Yes, over the long run and based on a client's Risk Profile and Objective[s].**)
15. How often do you trade? (As seldom as possible, ideally once or twice a year at most. **Depends on whether clients are invested in individual stocks.**)
16. How do you report investment performance? (After all expenses, compared to an average of highly similar assets that includes dividends or interest income, over the short and long term. **Clients' results are available on E\*Trade.**)
17. Which professional credentials do you have, and what are their requirements? (Among the best are CFA [Chartered Financial Analyst], CPA [Certified Public Accountant] and CFP, which all require rigorous study, continuing education and adherence to high ethical standards. **I hold the CFA designation.** Many other financial certifications are marketing tools masquerading as fancy diplomas on an adviser's wall.)

18. After inflation, taxes and fees, what is a reasonable estimated return on my portfolio over the long term? (If I told you anything over 3% to 4% annually, I'd be either naive or deceptive. **Depends on the clients Risk Profile and Objective[s].**)

19. Who manages your money? (I do, and I invest in the same assets I recommend to clients. **QOF.**)