

INVESTMENT & FINANCIAL ADVISOR CHECKLIST



Questions to Ask Before Choosing a Professional

Investment Product Questions

GETTING STARTED: FEES

- ☐ **What is the administrative fee to participate in the retirement savings account?**
 - A retirement savings account like an IRA, 401(k), 457(b), or 403(b) will charge an administrative fee just for participating in the plan.
 - This fee covers administrative costs like financial education, customer support, office supplies, and other administrative functions.
 - The State of Missouri Deferred Compensation Plan, for instance, charges \$1.00 each month to participate in the 457(b) plan.
- ☐ **What is the expense ratio on the prospective investment?**
 - Expense ratios will be written as a percent. These are an ongoing, annual fee that investors will pay to own a specific investment option.
 - For instance, an investment of \$1,000 in a fund with a 1.5% expense ratio would cost the investor \$15 annually.
 - Administrative and investment fees aren't always disclosed as a line item on an account statement, but rest assured you are paying fees when you invest in the market and these fees do matter. The chart on the back of this checklist highlights the effect various fees can have on savings over a long period of time.
- ☐ **Will the prospective investment include a front- or back-end load?**
 - This is a one-time sales charge on an investment. For instance, if an investor rolls over a \$100,000 balance to a fund with a front-end load of 5%, the investor will be charged \$5,000 up front for that investment. That \$5,000 will go directly to a financial advisor and their company, leaving the saver with \$95,000 to invest.

Be cautious of any investment professional who is unwilling or unable to answer any of the following questions.

ANNUITY SPECIFIC

- ☐ Is the prospective investment an annuity? If so, what type of annuity structure is it: fixed, indexed, or variable?
- ☐ What is the real cost of the annuity? Is there an upfront sales charge?
- ☐ Is any portion of the account value available for withdrawal? If so, what percentage?
- ☐ How are the underlying assets of the annuity invested?
- ☐ What is the stability and rating of the insurer providing and guaranteeing the annuity product?
- ☐ What happens if the insurance company goes bankrupt and can no longer make my payments?

IRA SPECIFIC

- ☐ Is any portion of the IRA available for withdrawal?
- ☐ Are there any fees if I take a withdrawal due to an unexpected shortfall?
- ☐ If I get another job, will all of my stocks, bonds, and mutual fund investments held within the IRA be available to rollover into my new employer's plan?
- ☐ Who will monitor the investments in the IRA?
- ☐ If I roll money to a Roth IRA, how much income tax will I owe in the current year? Will I be in a higher tax bracket for the year?

Financial Advisor Questions

Financial professionals may use different titles to describe their roles. Asking the right questions about their titles, responsibilities, fee structure, and credentials will shed more light on the services you can expect to receive.

<input type="checkbox"/> Which title best describes you? (choose one):	<input type="checkbox"/> Broker/Broker Dealer	<input type="checkbox"/> Investment Advisor
	<input type="checkbox"/> Financial Advisor	<input type="checkbox"/> Registered Investment Advisor
	<input type="checkbox"/> Financial Planner	<input type="checkbox"/> Registered Representative
	<input type="checkbox"/> Insurance Agent	
<input type="checkbox"/> What standard of care do you follow — the fiduciary standard or suitability standard?	<input type="checkbox"/> Fiduciary Standard: requires them to put their client's interests above their own. Required to disclose conflicts of interest.	
	<input type="checkbox"/> Suitability Standard: makes recommendations that are consistent with the best interests of the underlying customer. Sometimes discloses conflicts of interest, though not required.	
<input type="checkbox"/> Is your "Duty of Loyalty" to me or your company?	<input type="checkbox"/> "Duty of Loyalty" is to the client first and foremost.	
	<input type="checkbox"/> "Duty of Loyalty" is to their company not necessarily the client.	
<input type="checkbox"/> How do you charge for your services? (Choose all that apply):	<input type="checkbox"/> Flat fee (fee-based).	
	<input type="checkbox"/> A percentage of assets under management (fee-based).	
	<input type="checkbox"/> Commission on products and transactions (sales-based).	
<input type="checkbox"/> Do you invest in the same products that you will place my money in?	<input type="checkbox"/> Yes While everyone's financial situation is different, it's reasonable to ask a prospective professional if they personally invest in the investment options they will choose for you. Be wary of any professional who answers "No" or has difficulty answering this question. It could mean they are selling you an unsuitable product simply to earn a commission on the investment.	
	<input type="checkbox"/> No	
<input type="checkbox"/> What certifications do you hold?	<input type="checkbox"/> Certified Financial Planner CFP®	<input type="checkbox"/> Chartered Financial Consultant (ChFC®)
	<input type="checkbox"/> Chartered Life Underwriter (CLU)	<input type="checkbox"/> Chartered Financial Analyst (CFA)
		<input type="checkbox"/> Other
<input type="checkbox"/> Which regulatory body oversees your profession?	<input type="checkbox"/> Regulated by the SEC	Be cautious of any professional that is not monitored by at least one of these regulatory bodies.
	<input type="checkbox"/> Regulated by FINRA	
	<input type="checkbox"/> Other	

Additional Resources

FINRA BROKER & SEC INVESTMENT ADVISOR CHECK

www.brokercheck.finra.org

www.adviserinfo.sec.gov

FINRA and SEC oversee the people and firms that sell stocks, bonds, mutual funds, and other securities. Enter your current or prospective broker's name or investment advisor firm to see employment history, certifications, and license — as well as regulatory actions, violations, or complaints you might want to know about.

ANNUITY FAQs

www.insurance.mo.gov/consumer-faqs/annuities-faqs

The Missouri Department of Insurance provides a number of useful resources to help savers better understand annuity products. On their website is a feature to submit insurance complaints and search complaints by other consumers.

BUYERS BEWARE

Missouri law allows consumers a "free look" period. If you are unsatisfied with an annuity product within 10 days of receiving your policy or contract, you can cancel the policy and get a return of all premium payments.

FINANCIAL EDUCATION PROFESSIONALS

MO Deferred Comp's team of financial education professionals are free resources to state of Missouri employees and retirees who still have a balance with a plan. Visit www.modeferredcomp.org to schedule a 30-minute meeting with your local financial education professional.